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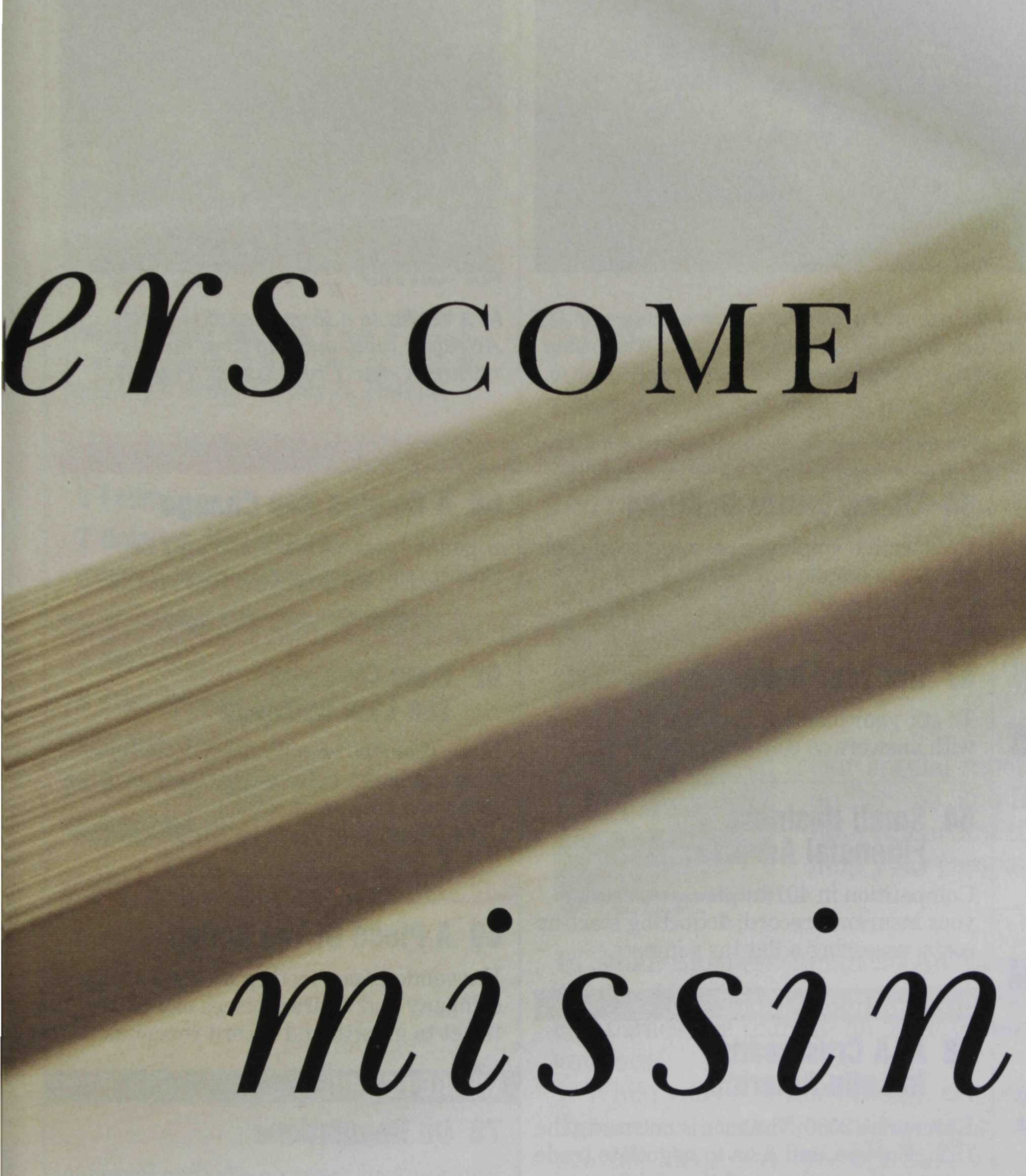
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By relocating *his car-products company from the suburbs to central Chicago, co-owner Jeff Victor, left, found more workers and lowered his rent. Many business owners are taking such approaches to find capable employees in tight labor markets. Cover Story, Page 16.*



PHOTO: ©SHAWN SPENCE

As a vendor *to a large franchisor, Sol Arledge's label-making firm has seen revenues soar. Franchising, Page 69.*

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PHOTO: ©RICHARD SHOCK

Offering outdoor vacations, *Dave Wiggins' firm has grown so large that he has little time to get away. Making It, Page 13.*

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Editor's Note

Finders Keepers?



Finding and keeping good workers are challenges that confound many small-company owners. To help managers struggling with these problems, we've devoted this month's cover story to ideas that have proved to be solutions for other entrepreneurs. The article was written by Contributing Editor Dale Buss, who talked with a wide array of business owners and experts in producing what we hope will provide timely help for you. The article begins on Page 16.

In "When The Going Gets Tough . . . ," Editor-At-Large Sharon Nelton tells the stories of how the owners of four small companies overcame different kinds of threats to their firms' survival. The profiles—of this year's national honorees in the Blue Chip Enterprise Initiative—begin on Page 46. Pictured below is one of them, Rod Rodrigue, who took over and revived the Belfast & Moosehead Lake Railroad, in Unity, Maine.



PHOTO: ©DEAN ABRAMSON

The Blue Chip awards are sponsored by the U.S. Chamber of Commerce, *Nation's Business*, and Massachusetts Mutual Life Insurance Co., which recently merged with Connecticut Mutual Life Insurance Co., the program's originator.

Our special reports on office equipment, starting on Page 53, and franchising, beginning on Page 69, offer important tips to stimulate your thinking and help your company grow.

In Small Business Financial Adviser, we kick off a three-part series on 401(k) plans. The series starts on Page 64 with a look at why small companies are gaining an edge in bargaining with retirement-plan vendors.

While you're in this section, take the tax quiz on Page 67. Knowing the correct answers could save you money. And next month we'll provide ideas of a different kind that could help you do the same.

Mary Y. McElveen
Editor

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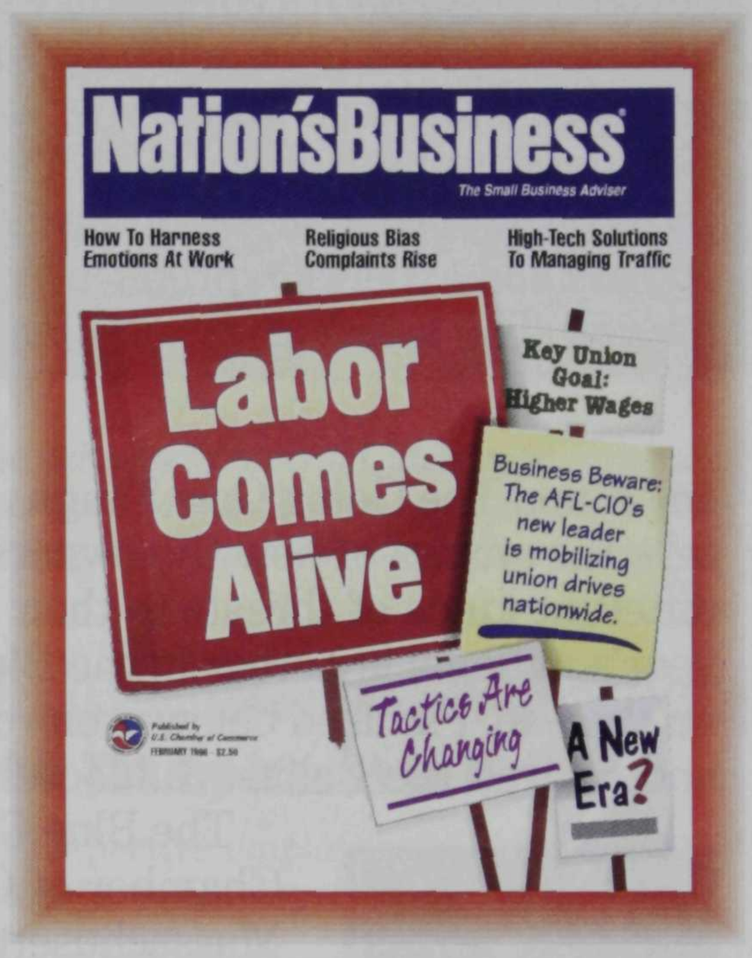
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Letters

Bullying Tactics By Unions Decried

As general manager of a small trucking company, I found "Labor Comes Alive" to be horrifying, to say the least.

Our drivers have just recently voted in a union. We had weeks of intimidation,



with the Teamsters out in front yelling at employees as they entered the building. I am frightened by the fact that there are so many people in the world who would vote in such bullies to represent them. The mentality of the members of Teamsters Local 705—with their union "colors" worn on their backs—is the same as that of a street gang.

The union is there to sustain the union; it could care less about the laborers. In our company, the Teamsters have pitted driver against driver and employees against employer—an employer, I might add, who pays these drivers more than any other trucking company in Chicago and who has given them full health-care benefits, time-and-a-half overtime, and a 401(k) plan.

I also take great exception to the quote by labor consultant Vic Kamber: "Business has had it soft and easy for 15 years . . ." Perhaps he should review the stricter guidelines set in place by the federal Department of Transportation and the Illinois Registration Plan, and the rising costs of health-care and liability insurance, to see how easy we have it.

As for a union guaranteeing job security, what is the union going to do for the people left jobless by the closing of businesses that can't afford the new union wages or job guidelines? The answer: Nothing.

Tracey Kimmey, General Manager
City Haul, Inc.
Chicago

Opportunities For Growth

You missed a chance in your February cover story, "Labor Comes Alive," to show businesses that there are opportunities to grow while working with union labor.

Our firm, a small electrical-contracting company, averages 10 employees. We needed a way to lower health-care costs and provide a pension plan to our workers. We found the local leadership of the International Brotherhood of Electrical Workers cooperative and helpful.

Before we unionized, the minimum turnaround time to locate and start an employee was two weeks. The only training standards to go by were what the potential employee had on a résumé or job application.

In the two years since we unionized, our employees have gotten a pension plan and a health-care plan that costs less than the company plan.

The company has tapped into a resource of thousands of highly trained electricians available at a day's notice. We return the electrician to the union hall on the day work stops, allowing us to adjust our labor force and costs to meet demand almost exactly.

The door of growth is open in a way that it was not before unionization, in terms of both the number and the size of jobs we can take on.

James G. Flaherty, President
Tosone Electric, Inc.
Montclair, N.J.

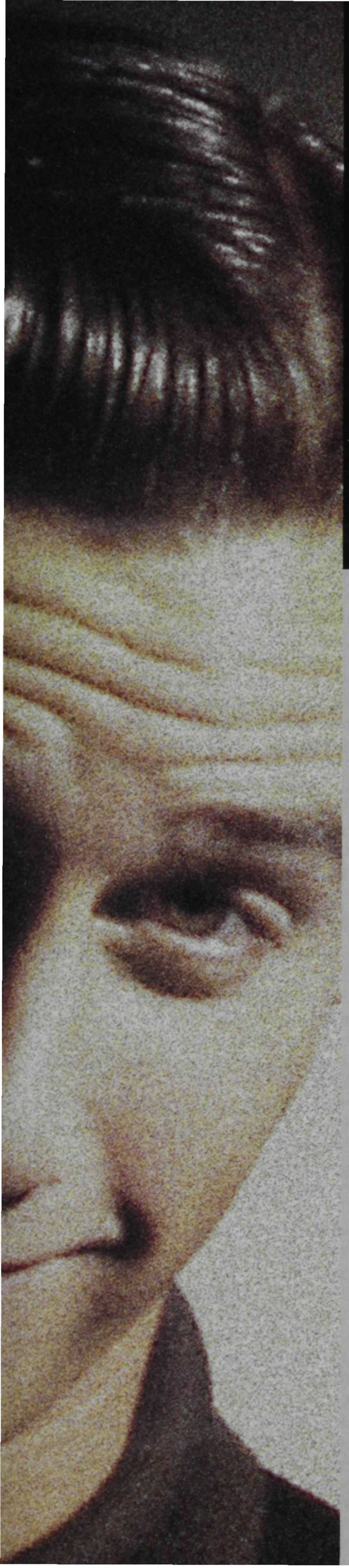
The Big Bad Wolf?

Organized labor is not the wolf to fear. People denied honest wages, affordable health care, and retirement pensions are the real wolves.

Norman Remer
Bend, Ore.

Where Expediters Are Old Hat

Your article on services for expediting travel documents ["Fast-Forwarding The Paper Chase," January] was entertaining and interesting, but you



Deciphering the easiest way to network your Windows-based PCs will require, among other things, a keen sense of the obvious.



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LETTERS

didn't "discover the powder" (a Venezuelan saying meaning you didn't reveal anything new).

Long ago, Venezuelans discovered this practice to overcome red tape, bureaucratic tangles, and laziness—albeit while promoting corruption. The *Gestorias* employ *gestores* to take care of all paperwork in obtaining identification cards, permits of all sorts, passports, visas, and so forth. The practice continues today, and I suspect that Travisa Visa Services could learn a few tricks from the *Gestorias*.

Ordinary travel agencies in Venezuela also perform these services. So it's nothing new, nothing extraordinary.

Juan P. Perez
Rockville, Md.

Practicality Is Key In Managing Traffic

"Smart Cars, Smart Roads" [Enterprise 2000, February] sounds great. How about smart people, also? I'm afraid that if the people developing traffic-management systems don't get a lot of input from drivers, a lot of money may be spent for naught, or worse.

Having spent many years in sales and on the highways in both the Detroit and Los Angeles areas, I have an observation and a thought I would like to share.



ILLUSTRATION: GEORGIA LEIGH MCDONALD

When it comes to nonfreeway traffic movement, Detroit has it all over Los Angeles. In Detroit the traffic lights are on timers, so if you hit a green light and stay at the speed limit you will hit them all green. In the Los Angeles area we have "smart" lights that can sense a car coming up the street, which causes the light to change. The primary function of these "smart" lights seems to be to stop traffic.

Accidents are a major cause of traffic jams, and they continue to cause tie-ups long after they have been moved to the side of the road. How about if officials erected a big screen after an accident has been moved to the side, so the rubberneckers wouldn't have anything to look at and they could move through the area at a reasonable speed.

Mike Williams, Vice President
Tool & Jig Plating Co.
Whittier, Calif.

Flat-Tax System Fits Definition Of Fairness

John B. Guy's response [Letters, February] to Robert Boucher's November letter proposing a flat-tax system is symptomatic of the gross misrepresentation of the definition of fairness. While Mr. Guy's accounting firm may be knowledgeable about math, he fails at comprehension.

Our present tax code is a modified "Robin Hood" approach—that is, rob the rich and the middle class and give the money to the "poor." This has produced a nation of freeloaders and parasites.

Who benefits from our national currency, our national defense, our national parks, our interstate highway system, our federal grants for research and education, and our vast social programs? We all do! And all should contribute a *fair* tax for their support.

A flat federal tax, the same percentage for all, would allow all citizens to fairly participate in the support of the federal government.

Richard R. Bush
Raleigh, N.C.

Not So Simple

A flat tax apparently is being sold on its simplicity. It should be noted that the complexity of the current tax law does not lie in multiplying the applicable rate times a given number (taxable income); the complexity lies in arriving at that number.

I fear a flat tax would not eliminate that problem.

G.R. Swanson
Swanson & Gaffey, CPAs
Sioux City, Iowa

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Dateline: Washington

Business news in brief from the nation's capital.

ENTREPRENEURSHIP

Women-Owned Firms Grow In Number And Importance

About 36 percent of U.S. companies, or more than 7.9 million firms, are owned by women, according to a new statistical portrait compiled by the National Foundation for Women Business Owners, in Silver Spring, Md., outside Washington.

Women-owned businesses employ about one in four American workers, or more than 18.5 million people, and ring up more than $2.28 trillion in sales annually, says the report by the foundation, a nonprofit organization that conducts research on women's business issues.

The organization's analysis follows a report by the U.S. Bureau of the Census showing that in 1992, women owned 6.4 million firms, employed 13.2 million people, and generated $1.6 trillion in annual revenues. That report, issued in late January, is significant because it marks the first time that the Census Bureau has included regular C corporations—generally regarded as the fastest-growing and largest companies—in its survey.

Previously, only sole proprietorships, partnerships, and subchapter S corporations were included in Census surveys of women-owned firms, conducted every five years. According to the Census Bureau, the number of women-owned businesses, excluding C corporations, increased by 43 percent between 1987 and 1992, and their annual sales rose 131 percent, to $643 billion.



CHART: MICHAEL ROSS

The Census Bureau's report for 1992 found that the country's nearly 520,000 C corporations produced $932 billion in revenues, nearly 60 percent of the total revenues for women-owned business. Women in 1992 owned 33 percent of U.S. businesses and 25.5 percent of C corporations.

The Census report also confirms earlier findings by the foundation. Impatient with the lack of data on women-owned companies, the foundation, starting in the early 1990s, began producing its own projections, which included C corporations. In 1992, the foundation estimated the number of women-owned businesses that year at 6.5 million—a difference of less than 2 percent from the Census Bureau report. The foundation's 1996 projections are based on the 1992 Census report and 1987 Census data.

—Sharon Nelton

THE ECONOMY

Experts Lower Forecasts For '96 Economic Growth

Economists have lowered their forecasts for U.S. economic growth in 1996, in part because of the continued inability of the Republican-controlled Congress and the White House to reconcile differences in their respective budget and spending plans.

Martin Regalia, vice president and chief economist of the U.S. Chamber of Commerce, says that failure to arrive at a budget accord is "a major factor," though not the only one, in his and other recently revised forecasts for a slower economy this year.

Other factors, he said in his quarterly economic forecast issued in late February, were slow action by the Federal Reserve Board in easing interest rates and the prospect that the stock market is "not expected to match last year's gains."

The Chamber lowered its expectation of 1996 growth in the gross domestic product—the broadest measure of the nation's output of goods and services—to 1.4 percent, down from the 2.0 percent growth forecast issued in November.

The Blue Chip consensus view of 51 business and academic economists, as compiled by the *Blue Chip Economic Indicators* newsletter, was lowered in March to 1.9 percent, down from a 2.2 percent forecast in November.

(Both November forecasts have been revised to reflect changes in the way the GDP is computed.)

"The economy will avoid a recession this year, but only by a whisker," Regalia says. "Aggressive easing [of interest rates] by the Federal Reserve and a positive outlook by financial markets, despite the lack of a budget deal, should just barely pull us through."

At press time, Congress and the White House were still negotiating over a stopgap spending bill to continue funding parts of the government that have been without regular appropriations for fiscal 1996, which began Oct. 1. But the president signed a short-term extension of the debt limit, which was to expire at the end of March.

As of early March, the government had partially shut down twice this fiscal year because of the inability of the president and Congress to agree on a multiyear plan to balance the budget or on the appropriate spending levels in individual government funding bills.

—James Worsham

Entrepreneur's Notebook

By Mel Raff

Knowing When To Cut The Cord

It's easy to say that if opportunity knocks, open the door and invite it in. Recognizing whether an opportunity is worth staking your future on is another thing altogether.

Unlike many other business owners, I never intended to go into business full time. Truth be told, I so resisted the idea that I didn't quit my job as a personal-computer network manager for the Department of Veterans Affairs until sales of the software program I had created hit about $25,000 a month. And I had hesitated to make the move even though I had spent months like a hamster on an exercise wheel just trying to keep up.

With virtually no overhead and with sales at least doubling every time I published a new version of the program and increased its price, opportunity was beating at my door. Still, I was afraid that it was only a matter of time before the software industry caught on and developed rival programs, which could put me out of business.

I finally quit my day job when advice I received in response to my inquiries about selling the business convinced me that despite the perceived threat from industry giants, there was greater potential in the software business than merely earning a salary.

Today, my program—WinInstall, which allows computer network managers to install new software systemwide without having to physically go from one Windows-based PC to another—is the industry standard. Sales reached $3.5 million in 1995.

Much of my success, as well as that of the company, OnDemand Software, of Naples, Fla., has been a result of continually finding good advice and a way to stick to what I do best.

Whether you're eager or reluctant to go from being employee to being the boss, seek out as much information as you can before making your decision. Be mindful, however, that not all advice—or those who give it—will be objective. People often have something to gain, either professionally or personally, from having you take their advice.

Trusting your instincts helps to sort out the field of advisers. Also, find people who know the business and the environment you are looking to enter but who have nothing to gain from your success or failure.

In my case, I relied heavily on two attorneys who work exclusively with the software industry. They offered both objective expertise and confidentiality. Their knowledge of the industry and their analysis of what I needed to maintain my sanity and sales growth—which turned out to be technical, marketing, and administrative support—helped bring me together with my current partners.

While the four other principals and our staff of 16 in Florida focus on managing the company, I head a development team of four in Washington, D.C., as vice president of development. The day-to-day operations job of president is handled by someone else.

By not going it alone and instead taking on the mantle of vice president, I gained the security of additional expertise and the freedom to concentrate on my product, something I didn't have while I was trying to manage both my business and my job.

When a sideline business starts looking as though it warrants full-time effort, be certain you have a monetary cushion. While I worked at the Department of Veterans Affairs—even as the software business grew—my family lived largely on my salary. We did enjoy some of the software profits, but the lion's share was put into savings. By setting the profits aside, you have a buffer, much like the salary you gave up, should your business take a downturn.

Similarly, as your business establishes a track record for doing well, adjust your goals accordingly. As profits have grown, my goals have changed from paying for summer camp and family vacations to saving for college and retirement.

Realize, too, that it's hard to keep your balance when sitting on the fence. When the time comes to determine if you should stay put or go out on your own, try to assess which option will bring the greatest stability to your life.

Staying put, finding partners, or venturing out on your own all involve levels of risk. But when your business and job have you by the tail, a measure of risk is worth it to get your life back in balance. NB

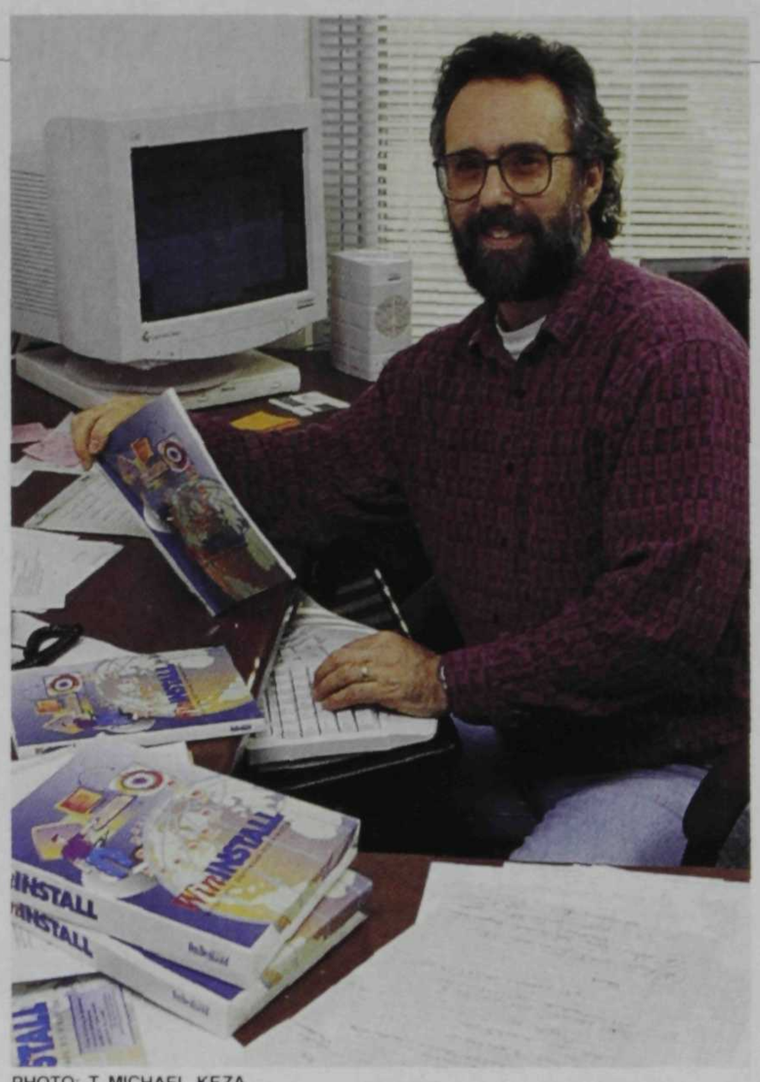


PHOTO: T. MICHAEL KEZA

WinInstall software *created by Mel Raff enabled him to quit his day job.*

Mel Raff prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What I Learned

Reliable advice is the key both before and after deciding whether to quit your job to go into business on your own.



Rep. John A. Boehner, R-Ohio, left, chairman of the Republican Conference, receives congratulations from Lonnie Taylor, Chamber vice president of congressional affairs, right, and U.S. Chamber President Richard L. Lesher.



R. Bruce Josten, Chamber senior vice president for membership policy, right, and Jim Halloran, Chamber manager of congressional affairs, center, with House Majority Whip Tom DeLay, R-Texas.



Award recipient Rep. Jennifer Dunn, R-Wash., discusses business issues with R. Bruce Josten, Chamber senior vice president for membership policy, left, and Robert D. Barr, deputy chief economist for the Chamber.



Above, Reps. David McIntosh, R-Ind., left, and Tom Latham, R-Iowa, were among the award recipients. At right, Edward Kalleta of the Chamber's congressional affairs division, left, goes over the Chamber voting guide with Rep. Frank A. LoBiondo, R-N.J.

Honoree Rep. Peter Hoekstra, R-Mich., left, talks with Jeffrey H. Joseph, Chamber vice president for domestic policy, at a reception for award recipients.







Rep. Ileana Ros-Lehtinen, R-Fla., was one of 290 House and Senate lawmakers honored by the Chamber for their support of business in 1995.





At left, Sens. Don Nickles, R-Okla., left, and Conrad Burns, R-Mont., right, talk with Doug Loon, Chamber director of congressional affairs. Above, Rep. Amo Houghton, R-N.Y., makes a point to Martin A. Regalia, vice president and chief economist of the Chamber.

SPIRIT OF ENTERPR

Listed here are the 52 U.S. senators and 238 representatives who received the U.S. Chamber of Commerce Spirit of Enterprise Award on Feb. 28.

The award, for votes cast in 1995, is given to lawmakers who supported the Chamber's position on legislation at least 70 percent of the time. Each member's vote rating is based on an annual analysis of votes on selected business issues.

Lawmakers' ratings for their 1995 votes were reported in the March issue of *The Business Advocate*.

Representatives are listed by district within their respective states.

SENATE	1995 RATING
ALABAMA	
Richard C. Shelby (R)	89%
ALASKA	
Frank H. Murkowski (R)	100%
Ted Stevens (R)	94%
ARIZONA	
Jon L. Kyl (R)	100%
John McCain (R)	100%
COLORADO	
Hank Brown (R)	100%
Ben Nighthorse Campbell (R)*	94%
FLORIDA	
Connie Mack (R)	100%
GEORGIA	
Paul Coverdell (R)	100%
IDAHO	
Larry E. Craig (R)	100%
Dirk Kempthorne (R)	100%
INDIANA	
Dan Coats (R)	95%
Richard G. Lugar (R)	100%
IOWA	
Charles E. Grassley (R)	100%
KANSAS	
Robert Dole (R)	100%
Nancy Kassebaum (R)	89%
KENTUCKY	
Mitch McConnell (R)	100%
MAINE	
Olympia Snowe (R)	84%
MICHIGAN	
Spencer Abraham (R)	100%
MINNESOTA	
Rob Grams (R)	100%
MISSISSIPPI	
Thad Cochran (R)	95%
Trent Lott (R)	100%
MISSOURI	
John Ashcroft (R)	100%
Christopher S. Bond (R)	100%
MONTANA	
Conrad Burns (R)	100%
NEW HAMPSHIRE	
Judd Gregg (R)	95%
Robert C. Smith (R)	100%
NEW MEXICO	
Pete V. Domenici (R)	100%
NEW YORK	
Alfonse M. D'Amato (R)	89%
NORTH CAROLINA	
Lauch Faircloth (R)	95%
Jesse Helms (R)	100%
OHIO	
Mike DeWine (R)	89%
OKLAHOMA	
James Inhofe (R)	100%
Don Nickles (R)	100%
OREGON	
Mark O. Hatfield (R)	89%
Bob Packwood (R)**	85%
PENNSYLVANIA	
Rick Santorum (R)	100%
Arlen Specter (R)	79%
RHODE ISLAND	
John H. Chafee (R)	89%
SOUTH CAROLINA	
Strom Thurmond (R)	100%
SOUTH DAKOTA	
Larry Pressler (R)	100%
TENNESSEE	
Bill Frist (R)	100%
Fred Thompson (R)	89%
TEXAS	
Phil Gramm (R)	100%
Kay Bailey Hutchison (R)	100%
UTAH	
Robert Bennett (R)	100%
Orrin G. Hatch (R)	100%
VERMONT	
Jim M. Jeffords (R)	76%
VIRGINIA	
John W. Warner (R)	100%
WASHINGTON	
Slade Gorton (R)	89%
WYOMING	
Alan K. Simpson (R)	89%
Craig Thomas (R)	100%

HOUSE	1995 RATING
ALABAMA	
1 Sonny Callahan (R)	100%
2 Terry Everett (R)	100%
5 Robert E. "Bud" Cramer Jr. (D)	71%
6 Spencer Bachus (R)	100%
ALASKA	
Don Young (R)	91%
ARIZONA	
1 Matt Salmon (R)	96%
3 Bob Stump (R)	100%
4 John Shadegg (R)	100%
5 Jim Kolbe (R)	100%
6 J.D. Hayworth (R)	100%
ARKANSAS	
3 Tim Hutchinson (R)	96%
4 Jay Dickey (R)	100%
CALIFORNIA	
1 Frank Riggs (R)	100%
2 Wally Herger (R)	100%
4 John Doolittle (R)	96%
10 Bill Baker (R)	96%
11 Richard Pombo (R)	96%
18 Gary Condit (D)	79%
19 George P. Radanovich (R)	100%
20 Calvin Dooley (D)	71%
21 William M. Thomas (R)	100%
22 Andrea Seastrand (R)	92%
23 Elton Gallegly (R)	100%
25 Howard McKeon (R)	100%
27 Carlos J. Moorhead (R)	100%
28 David Dreier (R)	96%
38 Steve Horn (R)	88%
39 Edward Royce (R)	96%
40 Jerry Lewis (R)	95%
41 Jay Kim (R)	100%
43 Ken Calvert (R)	100%
44 Sonny Bono (R)	100%
45 Dana Rohrabacher (R)	96%
46 Robert K. Dornan (R)	96%
47 C. Christopher Cox (R)	96%
48 Ron Packard (R)	100%
49 Brian Bilbray (R)	96%
51 Randy Cunningham (R)	100%
52 Duncan Hunter (R)	91%
COLORADO	
3 Scott McInnis (R)	96%
4 Wayne Allard (R)	96%
5 Joel Hefley (R)	92%
6 Dan Schaefer (R)	96%
CONNECTICUT	
4 Christopher Shays (R)	79%
5 Gary Franks (R)	96%
6 Nancy L. Johnson (R)	78%
DELAWARE	
Michael Castle (R)	92%
FLORIDA	
1 Joe Scarborough (R)	88%
4 Tillie Fowler (R)	100%
6 Cliff Stearns (R)	96%
7 John Mica (R)	100%
8 Bill McCollum (R)	100%
9 Michael Bilirakis (R)	96%
10 C.W. "Bill" Young (R)	100%
12 Charles Canady (R)	100%
13 Dan Miller (R)	96%
14 Porter J. Goss (R)	88%
15 David Weldon (R)	100%
16 Mark Foley (R)	96%
18 Ileana Ros-Lehtinen (R)	88%
21 Lincoln Diaz-Balart (R)	79%
22 E. Clay Shaw Jr. (R)	96%
GEORGIA	
1 Jack Kingston (R)	100%
3 Michael "Mac" Collins (R)	100%

■ Annual Meeting

Budget, Regulations Top Agenda



Among the 1996 national Blue Chip Enterprise Initiative designees honored at the U.S. Chamber's annual meeting were Rena and Richard Pocrass, owners of Chocolates à la Carte, of Sylmar, Calif. Presenting the award, at left, was David E. Sams Jr., president and chief operating officer of Massachusetts Mutual Life Insurance Co. and formerly president and chief executive of Connecticut Mutual Life Insurance Co., the originator of the Blue Chip program. The two companies merged March 1. The Chamber and *Nation's Business* magazine are also sponsors of the program.

Continued From Page 1A

annual meeting. "Clearly, 1996 will present numerous legislative challenges to the Chamber, its members, and the business community as a whole, but they are not insurmountable," he said.

He made his remarks to business people live Feb. 26 at the Chamber's Washington headquarters and by satellite to more than 100 downlink sites nationwide.

Budget negotiations between congressional Republicans and the Clinton administration had dragged on for more than seven months at press time, and GOP efforts to pass regulatory-reform legislation have been slowed by Democratic opposition.

The Senate Small Business Committee, however, did approve a bill in early March that would strengthen the Regulatory Flexibility Act, which requires agencies to rewrite proposed regulations that would have adverse effects on small businesses. At press time, the bill was awaiting full Senate action.

Josten also cited the Chamber's continuing work toward enactment of product-liability reform. At press time, legislation to overhaul the product-liability system was expected to be approved by a House-Senate conference committee working out differences in bills passed by the two bodies last year. A conference report faced a possible filibuster in the Senate, while House support for a bill was expected to be adequate for passage.

Edwin A. Lupberger, who earlier in the day assumed the role of chairman of the Chamber for 1996-97, said that during his tenure the Chamber will "work more closely with local chambers, reach out to the small-business community, and expand the Chamber's membership."

Also during the meeting, the four 1996 national designees of the Blue Chip Enterprise Initiative were honored.

The Blue Chip program recognizes small firms that have overcome adversity and emerged stronger. It is sponsored by the U.S. Chamber, *Nation's Business* magazine, and Massachusetts Mutual Life Insurance Co., now known as MassMutual — The Blue Chip Company. MassMutual recently merged with Connecticut Mutual Life Insurance Co., the originator of the program.

The 1996 national honorees are Chocolates à la Carte, of Sylmar, Calif; Gold Coast Dogs, of Chicago; Belfast & Moosehead Lake Railroad, of Unity, Maine; and Cunningham Graphics, Inc., of Jersey City, N.J.

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Managing Your Small Business

A homespun success story; when team players agree too much; keeping things running smoothly.

By Roberta Maynard

MARKETING

A New Selling Approach Makes Fashion Sense

As Brenda French has discovered, selling to retail stores may not be the most effective way for small manufacturers to get their products to consumers.

After 12 years of selling her designer knitwear to retail outlets, French, owner of French Rags, in Los Angeles, had become disillusioned with what she saw as retailers' failure to meet customers' needs. Then, at a trade show in New York City about six years ago, an alternative arose: A customer offered to show French's fashions in her own apartment and rounded up 80 acquaintances to attend.

The positive results convinced French that a work-from-home sales force was the perfect way to market to her customers—executives' wives and executive-level working women who would appreciate the convenience of quickly assembling an entire wardrobe at the home of a sales consultant.

French abruptly shifted from selling to stores to selling through one sales consultant and a retail shop at the Los Angeles factory. Word of her new approach spread, and French Rags now has 75 consultants nationwide and annual revenues of about $6 million.

For French, selecting consultants has been a careful and personal process. Because contacts with potential customers are what make the system work, French looks for women who have lived in an area for at least 20 years, who are very active in the community, or who have worked there. Most of her consultants had no sales experience.

French talks with prospects by phone for about an hour to gauge their ability to communicate and their enthusiasm in talking with people. Consultants then receive three days of training at the factory, at their own expense. They learn the basics of the knitting process and how to set up a fashion collection. They are paid on commission.

Communicating with consultants has been a challenge for the growing company. French has a full-time coordinator, who relies heavily on phones and faxes to take orders and send merchandise.

French has found that this marketing system gives her what she lacked in the traditional retail environment: a direct line to customers' views and needs. This allows her to respond quickly with new styles and designs—and that, she says, has been the key to her success. ■



PHOTO: ©BART BARTHOLOMEW

A work-from-home sales force *provides a direct line to customers for Brenda French, owner of designer-knitwear firm French Rags, here with Mile Rasic, vice president.*

MANAGEMENT

Too Much Team Harmony Can Signal Trouble

Beware of too much agreement among members of a work group—it can lead to bad decisions, according to a recently published book aimed at improving the performance of teams created to find ways for companies to do business better. *The Team Memory Jogger* was written by Joiner Associates, a consulting firm in Madison, Wis., that specializes in improving organizational effectiveness.

If everyone in the group automatically goes along with proposals, if alternatives are not offered, or if different perspectives are quickly dismissed, critical information probably is not coming to light. This situation may occur when the manager is a participant, when the group includes an overbearing expert who intimidates members, or when managers or supervisors discourage discussion about their areas of expertise or authority.

Some of Joiner's suggestions:

■ Practice brainstorming regularly before discussing a course of action.

■ Suggest that the group ask one of its members to be a devil's advocate, to raise objections to proposed solutions:

■ Develop a list of criteria for judging proposals, and help the group systematically apply them to all options.

■ Once an option is selected, discuss everything that could go wrong with that choice, and discuss ways to avoid risks.

The Team Memory Jogger offers practical tips for avoiding work-group problems such as conflicts, lack of focus, lack of follow-through, and uneven participation. The pocket guide, published by GOAL/QPC, costs $7.95; call 1-800-669-8326. ■



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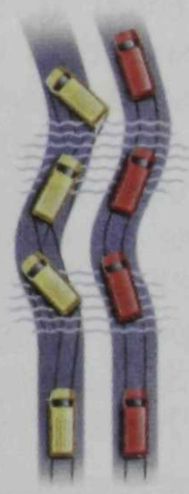
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CUSTOMER SERVICE

Oiling The Wheels Of Consumer Satisfaction

Ten years ago, a new company set out to be among the top quick-oil-change businesses in the Cleveland area. The strategy that has proved successful for the $12.5 million company was to build customer service right into its operations, starting at the top.

Rod Stasik, The Lube Stop's vice president of customer service, keeps things running smoothly for the 35,000 customers a month who visit the company's 30 stores. He personally reviews each customer-service report, a document that must be completed by the store manager whenever a customer returns or calls with a problem.

Even if a customer's problem was resolved at the store level, Stasik sends that customer a letter of apology, regardless of whether the store was at fault, along with a coupon for a discounted or free oil change. Of the approximately 8,000 cars serviced in a week, about 50 reports are generated.

Straightening out misunderstandings with customers is the job of everyone in the company, says Stasik. The training that technicians undergo includes how to talk with customers. Each store manager is given authority to spend a certain amount to quickly resolve customer problems. "We encourage managers to take care of any problems and, if they need help, to call more-experienced managers, their district managers, or me," says Stasik.

In situations where the store manager can't act right away, Stasik has arranged for engine cleanings to remove spilled oil or has had oil cleaned from customers' driveways. On occasion, he has gone to customers' homes to resolve problems, and once he sent a customer a rental car.

One indicator—besides the company's growing revenues—that the system works is that The Lube Stop has received a customer-commitment award from the Cleveland-area Better Business Bureau for the past five years.

"We are always looking at our programs and processes to determine if there is some way we can improve," says Stasik. "We are selling convenience and customer service. That's what customers expect." ■



PHOTO: ©BRUCE ZAKE

As vice president *of customer service for The Lube Stop in the Cleveland area, Rod Stasik helps keep motorists like Tweedy Chany satisfied.*

INTERNATIONAL AFFAIRS

Promoting A World Ethical Standard

Robert W. MacGregor is on a mission: to sell U.S. companies on adopting a code of business conduct if they don't already have one.

The guideline he is suggesting is a world standard for ethical behavior—the Caux Round Table Principles for Business, adopted in Caux, Switzerland, two years ago by business leaders from Europe, Japan, and the United States.

MacGregor is president of the Minnesota Center for Corporate Responsibility (MCCR), an organization of more than 130 Minnesota companies that promotes corporate citizenship. The CRT Principles are based largely on what are known as the Minnesota Principles, a code of conduct developed at MCCR, which is affiliated with the University of St. Thomas, in Minneapolis.

If your small business wants to grow and expand, says MacGregor, "you can't neglect the global market." But, he says, "we don't have a level playing field" when it comes to ethics.

In some countries, he points out, bribery and other conduct that would be illegal in the United States are common in business. He contends that it's in the best interest of small businesses that ethical standards be adopted worldwide.

The principles call for support of multilateral trade agreements, protection and improvement of the environment, respect for international and domestic trade rules, and avoidance of illicit operations such as bribery and money laundering. The principles also urge respecting "the integrity of the culture of our customers" and fostering open markets for trade and investment.

The CRT Principles also emphasize *kyosei*, a Japanese concept of living and working together for the common good.

For a copy of the CRT Principles or to obtain information about how to get involved in the ethics movement, contact MacGregor at MCCR, 1000 LaSalle Ave., Minneapolis, Minn. 55403-2005; (612) 962-4122.

—Sharon Nelton

NB TIPS

Lighting The Way

Nominations for the 1996 Awards for Excellence in Corporate Community Service are now being accepted by the Points of Light Foundation, a nonprofit group in Washington, D.C. Businesses of all industries and sizes that are addressing a serious community need through a company-wide and company-supported employee volunteer program are eligible for nomination. Businesses are encouraged to nominate themselves, and organizations that benefit from employee volunteer programs can nominate the companies that support them.

Nominations must be postmarked by April 26. For information and nomination forms, contact Carolyn Timmins at (202) 223-9186 or fax (202) 223-9256.

Learning In New York

Survival and growth in the '90s will be the topic of an all-day conference for small and midsize businesses to be held May 3 in New York City. The conference will include a keynote address by Bud Konheim, CEO of apparel company Nicole Miller Ltd., and panel discussions on financing, tax breaks, marketing solutions, and soliciting business from major corporations.

To register or to obtain more information, call the Ron Thomas Small Business Forum, the conference host, at (212) 689-5214. The cost is $65. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Tapping The Great Outdoors

By Howard Rothman

Dave Wiggins is living the ultimate paradox. Eighteen years ago, largely because he loved hiking and camping in the Rocky Mountains, Wiggins bought a tiny company, called American Wilderness Experience, that specialized in booking active outdoor vacations. Today, however, both AWE and the adventure-travel market it serves have grown so large that Wiggins rarely gets to enjoy the perks that initially drew him to the business.

"But my time will come again," says Wiggins, 44. "I know it will."

After receiving a bachelor's degree in community development from Pennsylvania State University, Wiggins moved to Boulder, Colo., in 1974 with the dream of making it in the West. When a series of carpentry jobs ended with the demise of the local housing boom, he joined a firm that made sleeping bags and tents.

"All that time, I was going backpacking and river rafting," he says.

In 1978, Wiggins met an insurance agent who owned and operated AWE on the side and wanted help running the seven-year-old firm. It handled about $20,000 in Western horseback vacations annually. Wiggins was offered no salary but would receive commissions once he topped 200 bookings.

"I said, 'Sounds great,' and booked 40 people, so I didn't make any money," Wiggins recalls.

At the end of that first summer, he got a chance to take over the business for $6,000—which would buy the company's name, its mailing list, and access to the "outfitters," or guides, who escorted AWE customers on trips in exchange for commissions. Working out of his bedroom, Wiggins encountered lean times at the start—only 35 bookings the first season. "I took a night job as a line cook at a deli to make ends meet," he says.

By concentrating his days on the business and relying on his experience to broaden the product mix with more river-rafting and hiking trips, Wiggins developed momentum. In 1985, when bookings hit nearly 300, he was joined by his wife, Carol, a co-worker at the deli who became AWE's chief financial officer. They added a toll-free number and a separate program offering Western dude-ranch vacations.

The following year, Wiggins quit the deli, and AWE booked more than 600 trips. Last year, the company booked nearly 5,000 vacations and grossed $2.4 million out of its sunlit, 2,400-square-foot headquarters in a bustling office park in Boulder.

Wiggins attributes his company's growth

The call of the wild *put Dave Wiggins in the saddle of American Wilderness Experience, which booked nearly 5,000 active outdoor vacations last year.*

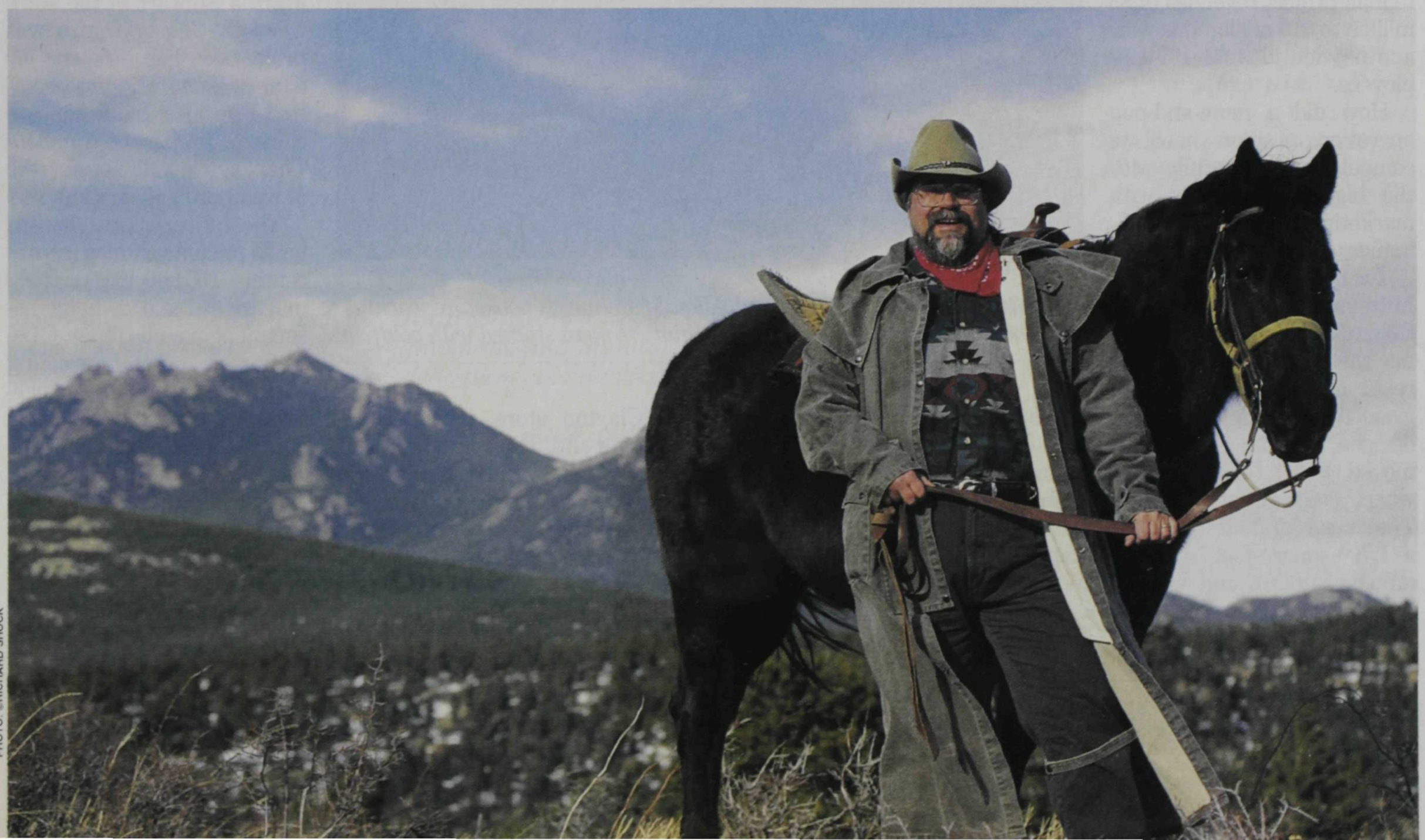


PHOTO: ©RICHARD SHOCK

to several factors, particularly the variety of trips, which now include cross-country skiing, mountain biking, sea kayaking, and even cattle drives; catalogs that are amply illustrated and lyrically written; and an enthusiastic staff of 10 employees.

But higher airline fares and competition from other adventure-travel companies are reducing AWE's market, and paper and mailing costs are eating into its profits. Despite record bookings, the back-country branch was not profitable last year. The dude-ranch division remains healthy.

To trim costs, Wiggins is streamlining his catalogs; about 300,000 were mailed last year. But he has no intention of changing the firm's focus. Citing customer service and careful selection of trips that meet his clients' expectations, he says, "We can't lose sight of the things that got us here." ■

Littleton, Colo., free-lance writer Howard Rothman's latest book, All That Once Was Good: Inside America's National Pastime *(PendletonClay Publishers, $22.95), can be previewed on the World Wide Web at* http://www.ecentral.com/baseballbook.

A Novel Enterprise

By Cheryl Jarvis

The Library, Ltd., isn't just a bookstore. With two huge floors and seven themed reading rooms, it's a literary feast for the senses. For its collection of whodunits: a room with a fireplace, an Oriental rug, mahogany paneling, and wingback chairs. For its children's section: a 14-foot-tall, turreted castle with a goldfish-stocked miniature moat. For nature and gardening volumes: a gazebo with a 240-gallon, saltwater aquarium. And for cookbooks: a French bistro.

At 53,000 square feet, the suburban St. Louis store is one of the largest bookstores in the country. And although their business is located amid a slew of chain superstores, owners Terry and Allen Mittelman project revenues of $8 million to $10 million this year and provide jobs for 137 employees.

How did a mom-and-pop operation position itself to compete so successfully with the big guys? Mostly with marketing savvy and a willingness to take risks.

Twenty-five years ago, the Mittelmans left New York City, where they were buyers for the Abraham & Straus retail chain. New York was great for learning the retail business, they decided, but not for starting one. The couple moved to St. Louis, Terry's hometown, where commercial rents were affordable. They sank all their savings—$40,000—into a 1,700-square-foot space in Clayton, an affluent suburb, and opened The Library, Ltd. A bookstore was a natural choice, since Allen had been a book buyer.

During the first several months they rarely grossed more than $50 a day, but after a difficult first year, sales increased steadily. After trying two additional bookstores and two gift shops (one store was sold, the three others were closed), the couple decided to concentrate all their efforts on the profitable Clayton store, which they had moved to a larger site. They scouted for still larger space. "We knew the superstores were moving to St. Louis," says Terry, 50. "We were only 7,000 square feet, and we felt vulnerable. We knew we had to do it first, and we had to do it better."

In 1992, the Mittelmans moved to a site a few blocks away that more than quadrupled their space and doubled their business. When the first Barnes & Noble superstore arrived a year later and less than a mile away, the Mittelmans already had established themselves as the mega-bookstore of the area.

"It was the smartest move we ever made," says Allen, 59. "If we hadn't moved, we'd be closed today."

When an additional 20,000 square feet became available in their building last year, the Mittelmans jumped on it. Inspired by Nike Town in Chicago, which features theme rooms for athletic wear, the couple sank $850,000 into the dramatic theme-room renovation.

The Library, Ltd., holds an in-store event almost every day—from murder-mystery nights to financial seminars, wedding workshops, and even in-line-skating demonstrations in the parking lot. The store's colorful, 75-seat cafe offers lunch and dinner and, on weekends, live entertainment.

Marketing director Nancy Higgins works hard to lure big-name authors such as Stephen King and Colin Powell for signings. To entice Martha Stewart to the store when the lifestyle guru was promoting her *Menus for Entertaining*, Higgins promised Stewart's publisher two chefs to prepare a complete Thanksgiving dinner for the November book signing.

The Library, Ltd., houses half a million volumes (representing 150,000 titles), 2,500 magazines, and a huge assortment of audio tapes, CDs, stationery, and greeting cards. Sales are up 40 percent. The Mittelmans are talking expansion again—to include an outdoor cafe, an art-film theater, even a bed-and-breakfast.

"We've worked hard to make it a real gathering place, not just a bookstore," says Terry.

What's in the future? Terry scoffs at forecasts that the printed word is doomed. "We're selling more books today than we ever have," she says. "Television didn't destroy print; neither will the computer. Nothing can replace the texture or the feel of a book." NB

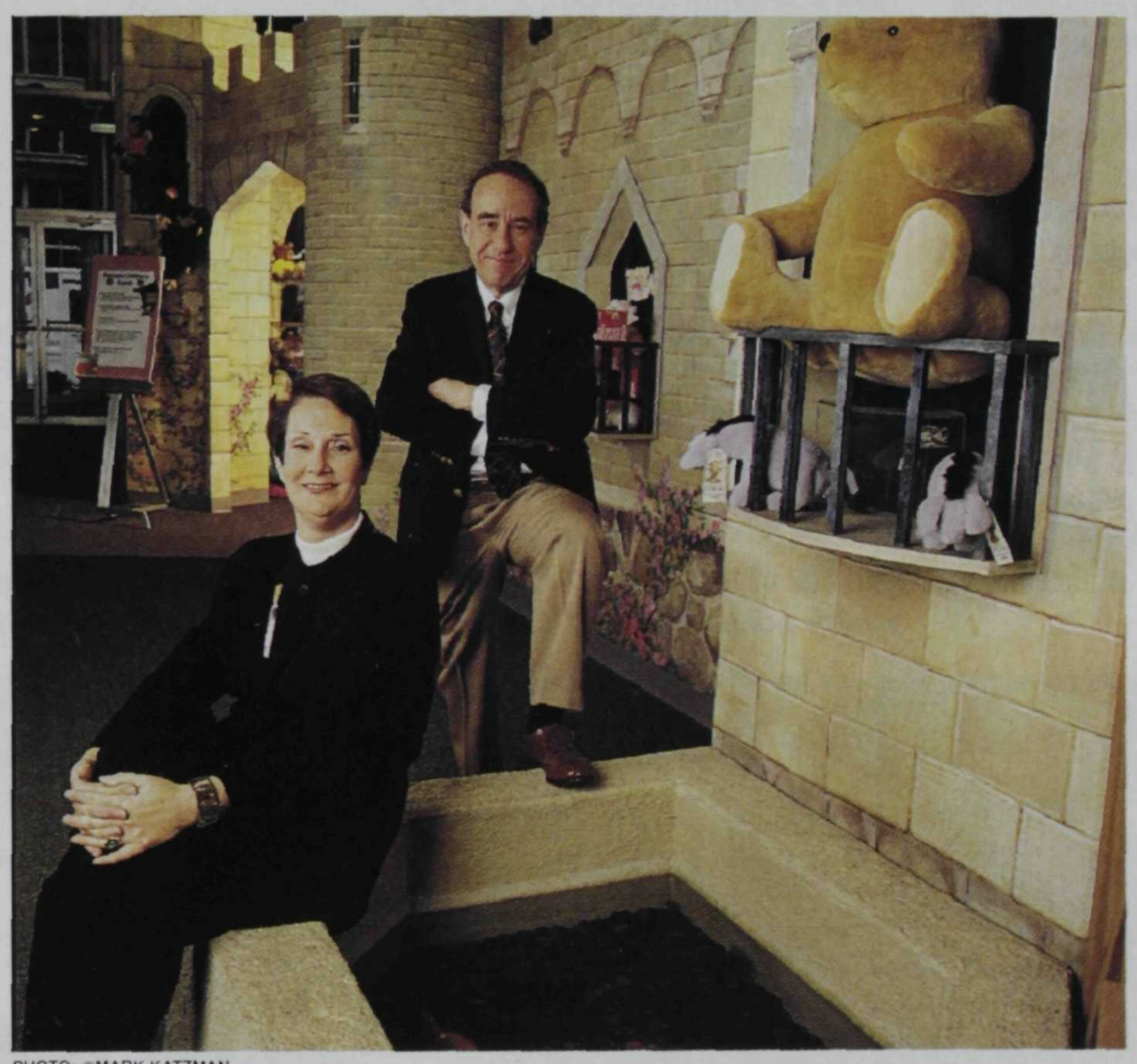


PHOTO: ©MARK KATZMAN

The children's section *of Terry and Allen Mittelman's bookstore features a 14-foot-tall, turreted castle and a miniature moat stocked with goldfish.*

Cheryl Jarvis is a free-lance writer in St. Louis.

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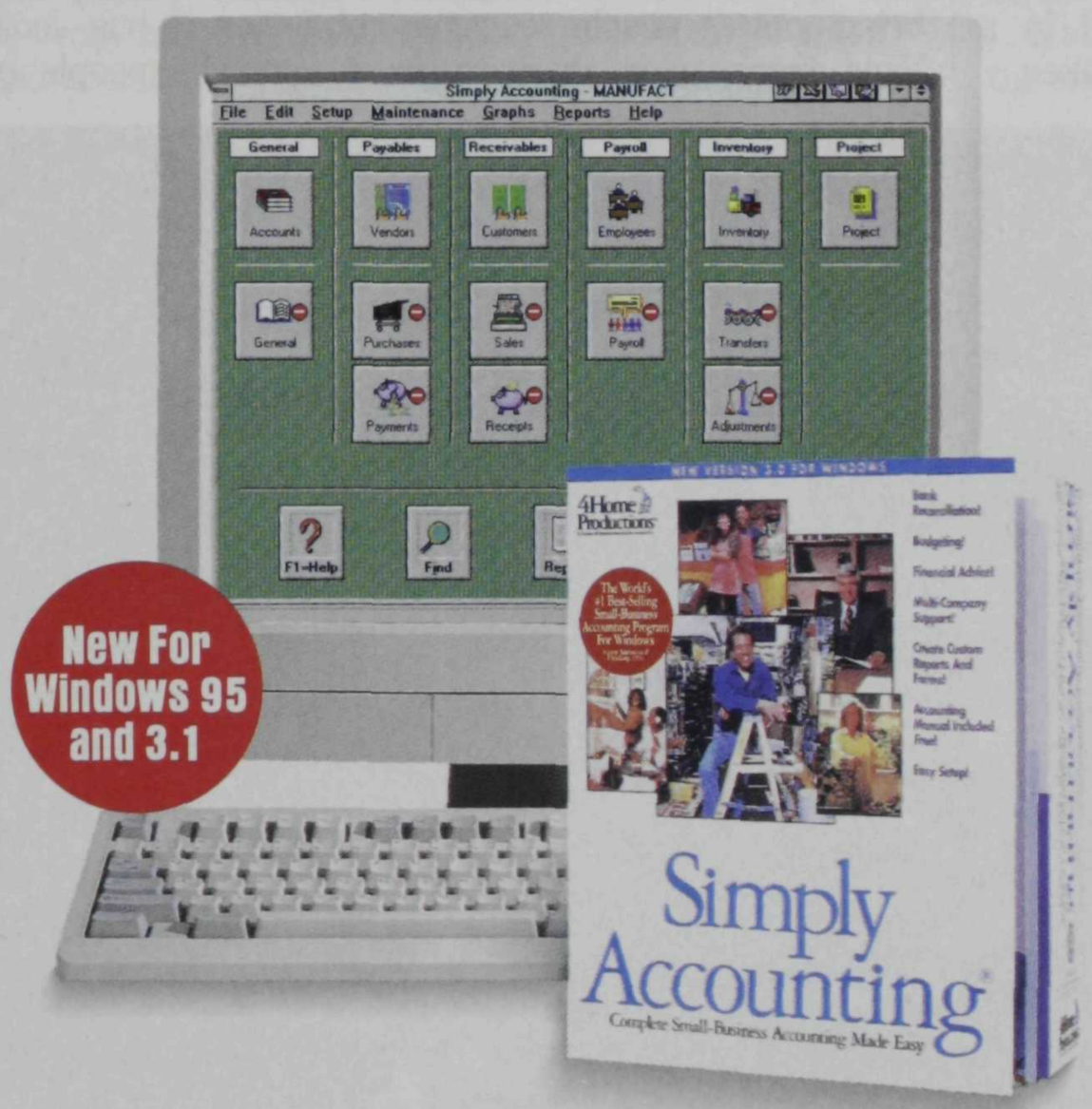
*The **General Ledger module** generates a full audit trail with unique journal entry numbers.*

***Automatically performs year-end close** and imports general journal entries.*

***Inventory levels** are automatically updated when users make purchases or sales.*

***Payroll handles up to 13 deductions**, including FIT, SIT, FUTA, SUTA, Medicare and Social Security.*

***Special entries** for one-time customers or vendors.*



***Total support** for both automatic and manual deduction calculations.*

***Budgeting** is quick and easy.*

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*A new **automated data integrity checker** helps identify errors.*

***Expert business advice** helps you make the right financial decisions and avoid common mistakes.*

***New user-definable payroll deduction fields** make it easy for you to customize your payroll process.*

***Customizable reports** and forms give your business a professional look.*

*Now you can calculate **payroll deductions before or after tax.***

***Friendly graphical user interface** helps you to be more productive.*

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COVER STORY

Help Wanted Desperately

By Dale D. Buss

When Steve Jacobus wanted to expand his company into a new line of business last year, he staked its future on Milwaukee's past. Jacobus, whose Olson Warehouse & Distribution Co. is in suburban Waukesha, located his new business—which packages goods for distribution—in an abandoned potato-chip factory that he leased in a run-down industrial sector of Milwaukee.

To be sure, operating in a rough part of Milwaukee's inner city presents inconveniences. But they are minor compared with the larger issue that motivated Jacobus' bold move: He had jobs to fill and no workers to fill them.

For over a year, the Olson company had participated in a state program designed to bring jobless people to eager employers. Vans transported workers from central Milwaukee, where the unemployment rate is higher, nearly 20 miles to worker-starved Waukesha. But the round trip, including bus transfers to and from the vans' pick-up locations, was taking some employees three to four hours a day.

"So we decided to locate our work where the people live," says Olson co-owner Jacobus, looking out at a team of two dozen people busily repackaging shampoo sam-

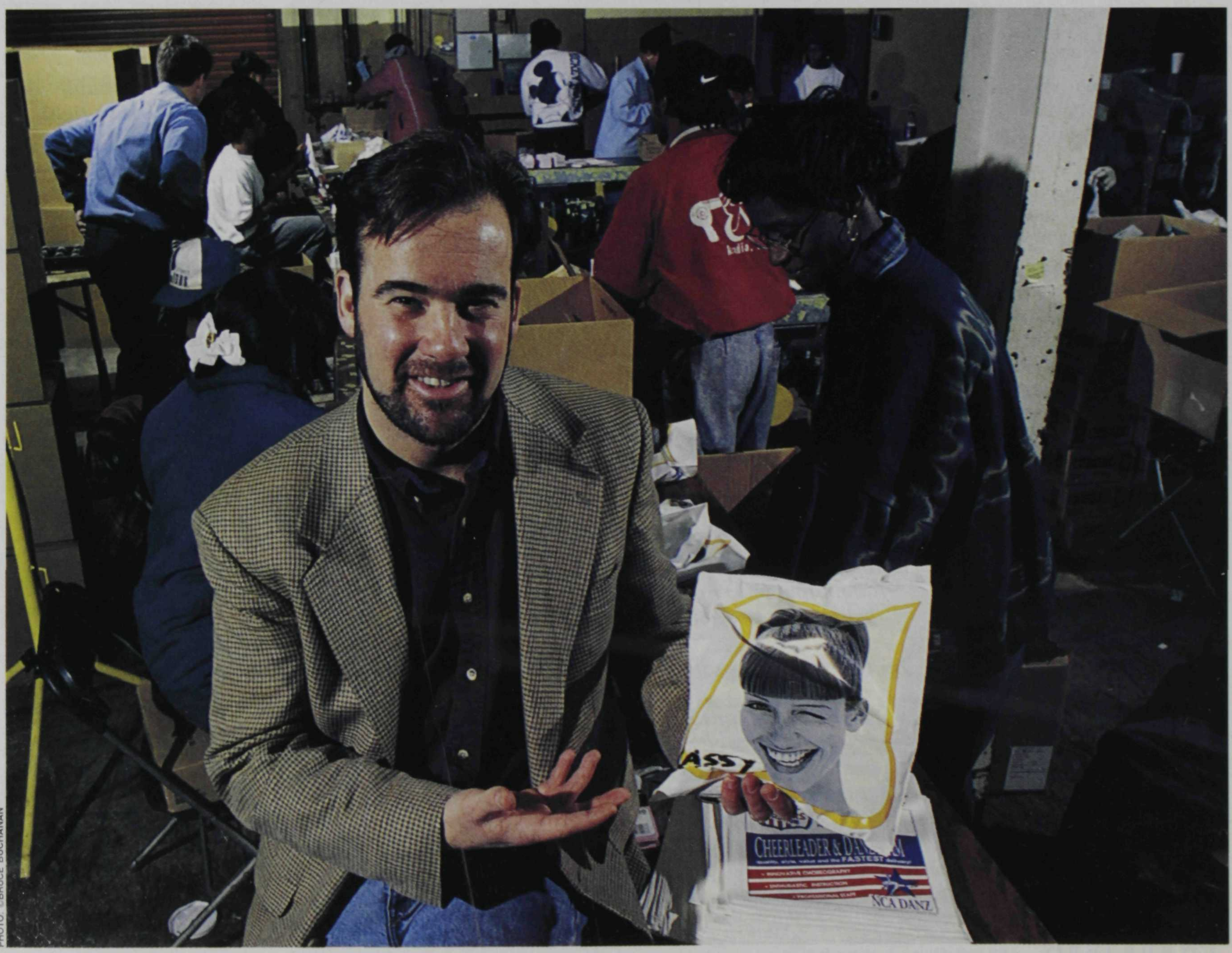


PHOTO: ©BRUCE BUCHANAN

Faced with a labor squeeze, small companies are adopting a wide assortment of approaches to find and keep good workers.



ples, toothpaste coupons, and other promotional materials for a mailing by the National Cheerleaders' Association. "It's worked out great for us and great for them."

Employers across America, faced with their own labor shortages, are taking equally inventive steps to fill vacant jobs. The nation's labor squeeze stems from a mix of economic, demographic, and social factors, producing the tightest labor market in memory for small businesses in many areas of the country.

The epicenter of the worker shortage is the Midwest, but no region of the country is immune to the problem. Small-business owners in cities including Dayton, Ohio; Cleveland; Kansas City, Mo.; and Milwaukee have noted in recent surveys that finding and keeping good workers is their greatest problem. Some development officials in the Midwest say the worker shortage is beginning to constrain economic growth.

"Six or seven years ago, people were looking at the Midwest for an abundance of labor at cheap rates because we were just recovering from crises both in the agricultural economy and in industry," says Mark Seckman, vice president of project development for the Cedar Rapids Area Chamber of Commerce, in Cedar Rapids, Iowa, where the unemployment rate is about 2.3 percent. "We're not in that position anymore."

The labor dearth is particularly frustrating to the current generation of small-business owners and operators, who, according to many observers, are the best entrepreneurs and managers ever. "A tremendous polarization is occurring," says David Birch. He is president of Cognetics Inc., an economic-research firm in Cambridge, Mass., and is a leading analyst of the dynamics of growing companies. "There's an enormous and growing pool of . . . people who are very capable of starting and running businesses well," Birch says. "But they have no one to go to work for them."

The shortage is serious enough to hold back the growth of many small companies. Last summer, for instance, an impatient customer stripped Cardinal Kitchens Inc. of a $50,000 contract after a scarcity of semiskilled workers prevented the company for weeks from manufacturing counter tops for a Louisville, Ky., school that was under construction for a fall opening.

"We pulled practically anyone off the street that we could find, but they just wouldn't stay on," says Chuck O'Koon, owner and president of Louisville-based Cardinal. "They'd call in sick, they'd say they had to take their mother to the doctor—they'd give any old excuse."

In Delaware, beverage retailer Edwin Miller was driven out of business, he says, because of problems in keeping his operations staffed. Last year he sold three liquor stores because he couldn't keep enough responsible people working for him. Now he's selling his tavern restaurant as well. "I can't find qualified people, and sometimes I can't find people at all," says Miller, who is moving on to another business, establishing sites on the Internet's World Wide Web.

For company owners who don't want the kinds of problems that Miller experienced, addressing the labor shortage is not just a matter of determining to do something about it. Small-business people are finding that the problem and its solutions involve layers of complexities.

Nationwide, the unemployment rate at the end of 1995 was 5.6 percent, a significant decline from the June 1992 peak of 7.7 percent during the last recession. Most economists consider 5 percent to be "full employment," meaning that the only people without jobs are those who can't or don't want to work.

In many metropolitan areas and even throughout some states, unemployment rates are far below that level. Early this year, Chicago's unemployment rate was 4 percent; in Tallahassee, Fla., it was 3.7 percent; in Portland, Ore., 3.5 percent; in Danbury, Conn., 3.1 percent; in Little Rock, Ark., 3 percent; and in Salt Lake City-Ogden, Utah, 2.8 percent. Madison, Wis., led the nation with the lowest unemployment rate—1.5 percent.

Against the backdrop of nearly full employment, some analysts cite low wages as an impediment to recruiting workers. The inflation-adjusted average wage of Americans fell from $8.12 an hour in 1975 to $7.77 in 1985 and to $7.42 in 1995, according to data from the U.S. Bureau of Labor Statistics.

Gary Burtless, a labor economist at the Brookings Institution, a public-policy research organization in Washington, D.C., says: "To business people who say they can't find good help anymore or 'They don't make them like they used to,' I have a suggestion: Why don't you pay the same real wage you were paying 20 years ago, when people were allegedly good enough?"

The wage figures, however, do not in-

> *"We decided to locate our work where the people live. It's worked out great for us and great for them."*
>
> —*Steve Jacobus, Olson Warehouse & Distribution Co.*

Locating *his new packaging business in inner-city Milwaukee has provided a source of workers for Steve Jacobus of Olson Warehouse & Distribution Co.*



PHOTO: ©TODD BUCHANAN

An ample labor pool *and lower rent are two benefits that Jeff Victor realized when he moved his company—which makes car-finishing liquids—to central Chicago from the suburbs.*

clude fringe benefits such as health insurance, which have grown to 40 percent from 30 percent of total compensation over the past 20 years. (For more details on compensation trends, see Page 24.)

Business owners regard the suggested quick fix of higher wages as flip. "The problem with simply raising wages is that doing so raises costs, and these days we have to be competitive on a worldwide basis," says Bruce Hackett, executive vice president and co-owner of Estee Mold & Die Co., a Dayton company that makes molds for manufacturers of air bags, steering wheels, and other automotive components.

On top of a cyclically robust economy, demographic factors have further restrained the number of qualified available workers. For one thing, the nation's birthrate skidded downward from 1964 to 1976. And it's those relatively scarce "baby busters" whom growing employers are counting on to fill most new jobs.

Just as vexing, many business owners say, is that most of the new "Generation X" workers—typically described as those born from the mid-'60s to the late '70s—especially those who don't attend college, are poorly prepared to make the transition from school to work.

For example, about 60 percent of high-school graduates who seek jobs at one major bank in Boston can't fill out the application form correctly, according to economist Birch. The capability shortfall in the skilled-trades and technical areas, small-business people say, is particularly acute. (See the related story on Page 23.)

"Systematically, in manufacturing for instance, baby boomers are retiring early, and Generation X doesn't have the numbers or the skills," says Diane Swonk, an economist for the First Chicago NBD Corp. bank. "There's a mismatch between the kind of people we're generating and the skills they need." In addition, business owners almost universally complain that baby busters aren't as motivated or as dependable as workers of previous generations.

With powerful forces such as those working against them, what are small-business owners to do about finding and keeping enough good workers?

Here are approaches recommended by work-force specialists and small-business owners:

Look To The Inner City

Unemployment rates in the central cores of many cities remain high even as thousands of jobs go unfilled in suburbs just a few miles away. In Washington, D.C., for example, the unemployment rate was 8.9 percent at the end of 1995, while the rate in the Maryland and Virginia suburbs was just 3.3 percent. Similarly, unemployment was 10.3 percent in Cleveland but 4.2 percent in the suburbs, and 5.5 percent in Chicago but 3.3 percent in the suburbs.



To Jeff Victor, such disparities represent opportunities. The Chicago company he co-owns, Treatment Products Ltd., a manufacturer of car-finishing liquids, employs about 20 people full time but can require more than 50 at a time to turn out big orders in short bursts.

So, two years ago, Victor moved the company from Chicago's western suburbs into the central city. Now he not only has an ample supply of labor but also has cut his rental costs. He figures that the formerly abandoned building his company now occupies costs him about one-third of what such a space would cost in the suburbs.

"Most companies are going the other way," Victor says. "But we're a young, entrepreneurial company that is looking to expand. This is the place where we most easily can do it."

Many business owners, of course, are discouraged from considering the kind of inner-city relocation that Victor undertook because they fear crime or they're concerned that their job tasks would be too complex for applicants whose education is insufficient. "There are typically many sound economic reasons why jobs are locating in the suburbs," says George Galster, a principal research associate at the Urban Institute, a Washington, D.C., public-policy research organization.

But Jacobus, of Olson Warehouse, is willing to try to overcome such obstacles to make his inner-city location viable and to help his new employees. "By now, we've developed a core group of people who've been with us for the duration, and they want to do a good job and also encourage other people to do a good job," he says. "It's become a very worthwhile venture."

Become A Promoter

In metropolitan Milwaukee, some business owners are paying bonuses to churches where pastors will work the pews to recruit entry-level workers.

John Baraona, owner and president of Fussy Cleaners, based in Akron, Ohio, widely broadcasts his periodic offer of a free cleaning of a suit or dress for anyone who is out of work and needs the garment for a job

interview; the person can take the clothing—and an unemployment-check stub—to any of his 23 stores in central Ohio.

Barbara Bissett, president and owner of Bissett Steel Co., in Valley View, Ohio, accepts job applications at all times, even when her 20-employee company, a distributor of steel products, doesn't have specific openings. "I'm always receptive, because that allows you better selectivity when you do need to fill an opening," says Bissett. She credits the practice with enabling her to sidestep the labor squeeze in the Cleveland area.

Near Dayton, Sue Ellen Ater makes a point of talking up her Huber Heights, Ohio, company at the community-college night courses she has taken in recent years. Her firm, Executive Mold Co., employs 18 people and makes molds for manufacturers. Many of her night-course classmates are mothers of high-school students who would make excellent job candidates for Executive Mold, joining the firm as toolmaking trainees.

Network With Educators

High-school teachers, guidance counselors, and administrators can be great ambassadors with their students on behalf of nearby companies and even for entire industries that are important in a community. They also can be helpful sources of recommendations on students who might make particularly good employees.

Daniel Marcus, co-owner and president of Encore Manufacturing Corp., in Cleveland, goes to the students. He lectures to high-school manufacturing-technology classes, which gives him a platform to discuss the industry and Encore's approach to career advancement, its tuition-reimbursement program, and other benefits his firm offers.

"Kids come up to us after class and say, 'Gee, it sounds like you've got a great company,'" says Marcus, whose firm employs about 65 people. "It opens lots of doors to young people, who then come in and apply for jobs."

Train Your Employees Yourself

Resigned to what they see as the education system's inability to provide them with capable workers, many business owners are taking it on themselves to train workers much more extensively than before.

That often means starting with the basics. For example,



Camran Benji, co-owner of Benji Electronics Inc., a 20-person export and distribution company in Los Angeles, is willing to hire people with few if any qualifications and spend much time and money training them—often in remedial subjects—once they're in the door. It's too early to tell how well this approach will work in the long run.

Glen O'Brien Moveable Partitions, a Kansas City-based manufacturer and installer of office panels, also offers training. At the company's Dayton, Ohio, location, new installers enroll in a four-week apprenticeship program with a nearby vocational school. "It has elevated the performance of our employees, developed and retained the people who will help us, and weeded out those who aren't willing to put in the extra effort, because they have to go to school on their own time," says co-owner Steve Nichols.



PHOTO: ©JIM CALLAWAY

Make All Your Employees Recruiters

Many business owners are offering employees bonuses of $50 up to a few hundred dollars if they'll bring in a referral who sticks with the company. Charles Pappas, co-owner of Michael's Restaurant, in Rochester, Minn., has recruited members of two immigrant ethnic groups, Mexicans and Asians, who are populous in the community, which had an unemployment rate of just 2.2 percent in November. They draw in others to work at the restaurant, which has 155 employees. "Not only do they tend to be good workers, but they're the best recruiters I could possibly have among their people," Pappas says.

Consider Untapped Groups

Immigrant populations remain undertapped in many markets and can provide a steady stream of good workers. Baraona, of Fussy Cleaners, works with the Akron Jewish Center to help Russian immigrants start new lives in the United States, and he gives them jobs.

But immigrants aren't the only untapped groups. Disabled people, for instance, are a growing source of new workers, especially as private and public programs help them develop marketable skills.

Older people made up one of the "original" underemployed demographic groups, but their numbers and their employability are growing with time. Retailer John Mayer, for one, likes to hire retirees for part-time work at his firm, Kirk's Flowers, in Newark, Del. They usually aren't pushing for higher wages as younger people might be, he says, and they are likely to have medical coverage already.

Recruit Via The Internet

Sifting the Internet for applicants is an increasingly popular tactic for small businesses and gives them unprecedented access to potential employees worldwide.

Technology buffs are not the only people monitoring the Internet for positions, says Robert Schneider, who owns Help Wanted USA, one of many electronic job-posting services. He says the positions that seem to draw the most attention on the Internet are

At the night classes *she takes at a community college, Sue Ellen Ater recruits for her mold-making firm.*

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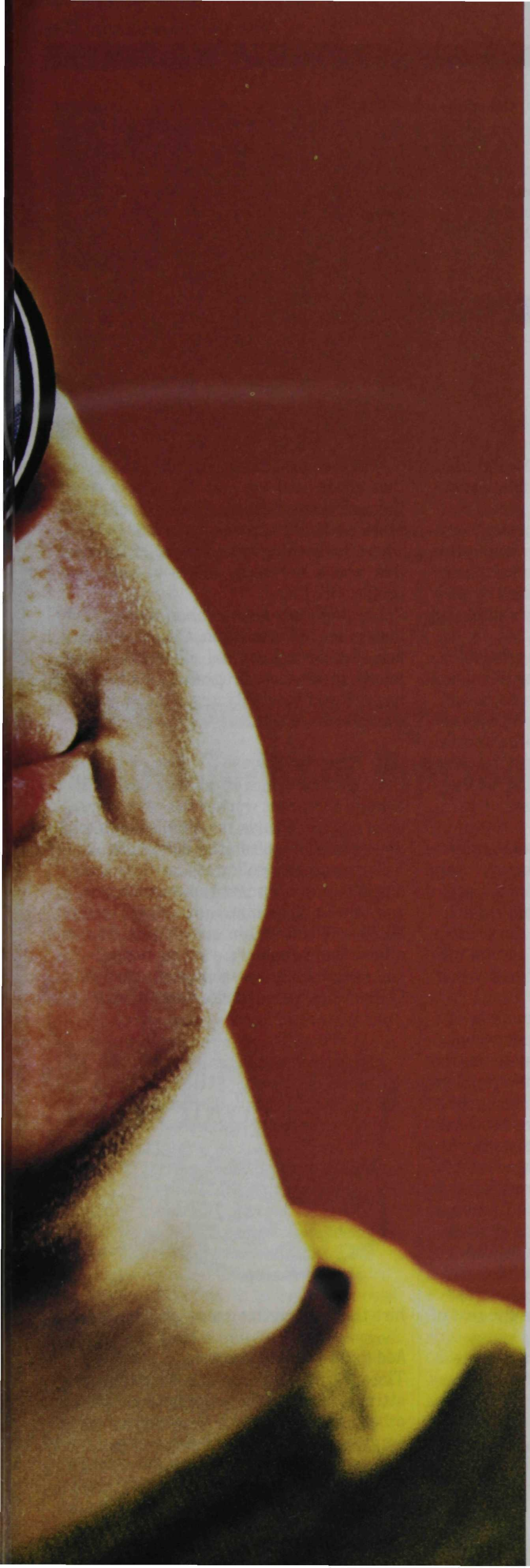
Thing was, those toys didn't work.

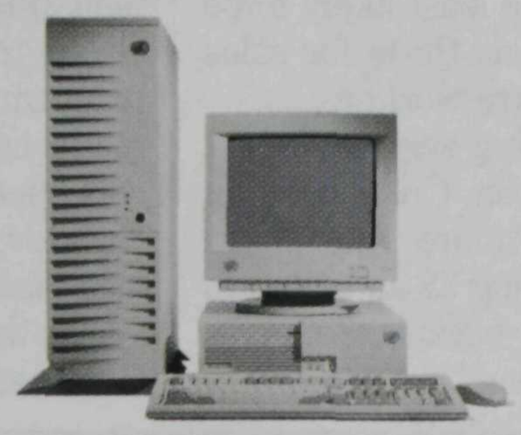
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those still regarded as the least likely to be posted there—jobs such as those for sales professionals or health-care workers.

Schneider, whose posting service is part of his American Research Co., based in Milwaukee, says that "more and more people who are only making $8 an hour can afford to get on line because of how computer prices have fallen."

Gain Strength In Numbers

Given that the labor squeeze is a bigger problem than any one business can handle, many companies are trying to address it collectively. The Growth Association of Greater Cleveland, for example, has just launched an initiative to tackle the problem, as has the Greater Kansas City Chamber of Commerce.

The Kansas City chamber's Jobs Promotion Initiative, during March and April, includes running large classified ads in newspapers in Chicago and Decatur, Ill., to tout Kansas City's advantages and job opportunities. The program also includes a direct-mail campaign to 1,000 college placement professionals in Kansas, Missouri, and Missouri's bordering states.

Local, regional, and national trade associations also are helping member companies try to ease the labor squeeze. In October 1995, the Ohio Tooling & Machining Association disbursed $15,000 for a Saturday-morning Machining Technology Day open house at member companies in five cities around the state.

"We spent $2,000 of our own money in that effort, and we had 250 people come through," says a satisfied Hackett, of Estee Mold & Die. "Even in a town like Dayton, where toolmaking runs in a lot of families, this was a necessary effort to raise our profile with kids."

Local governments, labor unions, and businesses in Washington, Detroit, Milwaukee, San Francisco, and other cities have joined to develop programs to transport unemployed inner-city residents to jobs in the suburbs.

Restaurants Get Creative

The only thing worse than the labor shortage that is squeezing restaurant owners these days is the likelihood that the problem is going to worsen: By 2005, according to the U.S. Labor Department, food-service employers will need to find an additional 3.1 million workers—a 33 percent increase in the industry's work force.

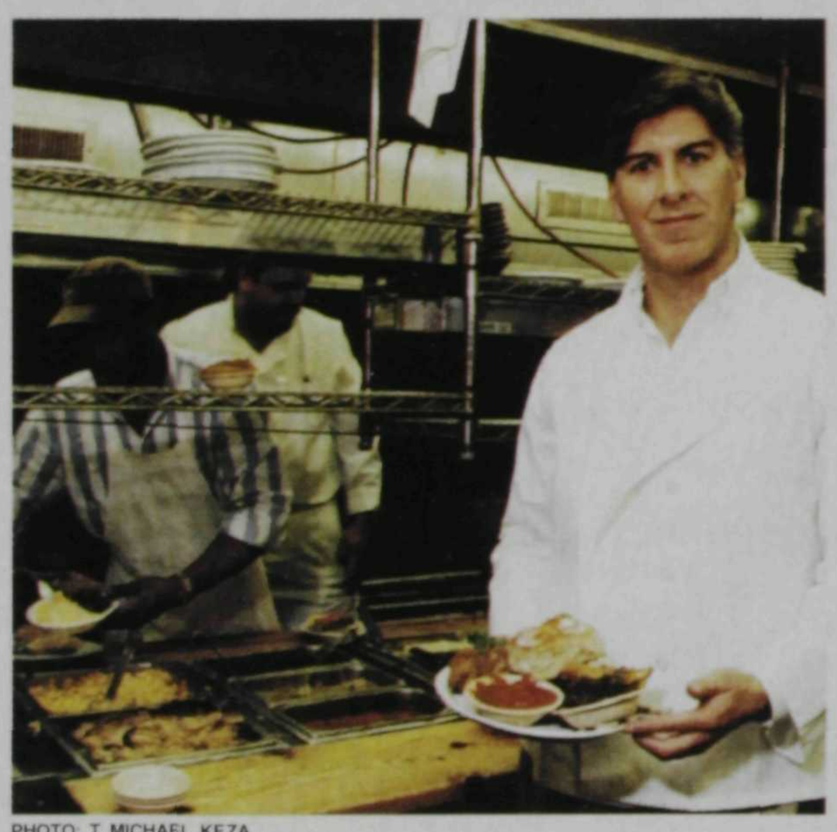


PHOTO: T. MICHAEL KEZA

Southern Grille *manager Kim McManus helps workers focus on job objectives.*

Restaurateurs across the country have tried a variety of approaches to finding good employees while at the same time reducing their firms' staffing requirements. They have pared their menus and have started buying more prepared foods to scale back on kitchen help, for example. They have doubled up duties for workers so that waiters and waitresses can bus tables and cooks can wash dishes. They have also networked like crazy for potential new employees.

But the problem persists. So, desperate restaurant owners and managers are getting more creative. At the Southern Grille, in Ellendale, Del., for example, Kim McManus has launched an employee newsletter and is putting all of his managers through a job-performance evaluation.

The company's employment peaks in the summer at about 80 workers. Most of these workers "never really had been exposed to personnel development," says McManus, who runs the restaurant for its four owners, all private investors. His employees, he says, "get pumped up about working here because I give them honest communication about how they can meet our expectations and how my goals are facilitated by their goals of making more money and having an exciting career."

In Waunakee, Wis., a Culver's fast-food restaurant gives its 30 or so student employees up to three hours a week of regular hourly pay for doing schoolwork at the restaurant before or after their shifts. The privilege is revoked, however, for students who spend too much time socializing rather than working on assignments.

And as one of many industry groups that are aggressively attacking the problem, the Wisconsin Restaurant Association has launched a campaign to match welfare recipients who have the social skills required for good food service with the thousands of jobs available at restaurants around the state.

Nonetheless, a growing number of restaurant owners and industry consultants believe the only way to make a significant, long-term dent in the problem is to make over the industry's image of offering dead-end jobs that are good only as steppingstones to careers elsewhere.

"When you put a 'Help Wanted' sign in the window, you're sending a red flag that you're desperate," says Norine Larson, a Minneapolis-based food-service consultant. The sign, she says, might as well read: "Wanted: One person with low self-esteem, no life, little education, willing to work for minimum wage the rest of your life."

Consequently, restaurateurs such as Tim Murray, co-owner of Murray's Restaurant in Minneapolis, now look specifically for "people who really want to make this their career and like doing this kind of work, and then [we] treat them well enough to keep them."

Offer Attractive Wages

Setting your wage rates at a level high enough to attract workers in your market is, of course, always the simplest thing to do—though it's often the most difficult.

The company policy at Cardinal Kitchens is to start counter-top manufacturing workers at $6 an hour, advancing them to $6.25 or $6.50 within six months. But in effect, the company's starting wage is $7 an hour, because company president O'Koon has found that's what it takes to



hire the 30-something men his firm needs.

Add Perks For Employees

The most effective tactic next to offering attractive wages is adding benefits and other perks and clearly communicating to employees the value of those extras.

Establishing a 401(k) or other retirement program, for instance, still counts for a lot in an era when only about one in



PHOTO: ©JIM CALLAWAY

At the Glen O'Brien Moveable Partitions *branch in Dayton, Ohio, workers such as Steve Sylvester are offered a four-week apprenticeship program at a vocational school.*

four U.S. workers has any sort of pension. A benefit that on its own can make the difference in attracting single mothers to a company is child care subsidized or arranged by the company.

Advanced Communications Specialists Inc., a $2.4 million company that installs cable-TV service in Milwaukee, bought 12 trucks that it began leasing to employees last year in the hope of attracting and keeping installers. Most competitors require installers to use their own vehicles on the job. The strategy is helping the company stabilize its work force.

Florist Mayer has arranged a bouquet of extras that has helped Kirk's Flowers grow to a 27-employee enterprise. For example, he gives working mothers—the mainstay of his employee roster—flexibility in choosing their hours on the job and lets employees buy anything the company sells for the wholesale price, not just a discounted retail price. It's a benefit, he says, "that doesn't cost me anything but



which they look at as a big incentive."

Quit Fretting, Do Something

Nichols, of O'Brien Partitions, says that many of his fellow business owners are "in denial" about the worker shortage. "They'll complain about it, they'll talk about the shift in the work culture and all, but they haven't sat down to analyze what they have to do about it," he says. "I always tell them to look at their own experience and then decide to do something about it." **NB**

To order a reprint of this story, see Page 75. For a fax copy, see Page 6.

School-To-Work Programs Take Off

More than three-quarters of American high-school graduates don't go to college, and most of those don't aim for careers in the skilled trades, either. As a result, U.S. manufacturers are going begging for tradesmen, including machinists, plumbers, pipe fitters, welders, and mechanics.

"The average age where a youth gets his first full-time job with benefits is 28 or 29," says Rae Nelson, executive director of the Center for Workforce Preparation at the U.S. Chamber of Commerce, in Washington, D.C. "So the majority of kids come out of high school and kind of float through the system for 10 years trying to find a match for their skills."

The burgeoning "school-to-work" movement is trying to address the problem by attracting into trades more of those high-school graduates who are not bound for college; traditionally, they have been the backbone of the American economy. More broadly, the effort seeks to facilitate moves by high-school graduates into all sorts of careers that don't require a college degree.

Owners of small manufacturing companies are at the heart of this effort. They're working on their own and collectively with larger companies, high schools and technical institutes, local and state governments, and chambers of commerce.

The federal government has also become involved in the push, having allocated $400 million in the current budget for seed money for school-to-work efforts at the local level.



In Kentucky, DJ Plastics Inc. is among the many small companies involved with the public schools in the Greater Louisville Youth School-to-Work Initiative, an apprenticeship and internship program that combines classroom instruction with workplace learning. The plastic-injection-molding company has donated $250,000 in equipment to Pleasure Ridge Park High School. The equipment is used to help train the firm's work force as well as students.

The school's partnership with DJ Plastics prepares students who might become company employees and helps them develop the basic skills that make them marketable in a fast-changing industry. "The industry technology is changing every 18 months," says Robert Allen, DJ Plastics' president.

Other communities are taking other approaches. Craftsmanship 2000, a Tulsa, Okla., program with public and private sponsorship, combines academic, technical, and work-based training during a comprehensive four-year academic and vocational program. Students completing the program are awarded high-school diplomas after two years and up to 25 credits from Tulsa Junior College, as well as annual stipends up to $6,440 in the fourth year.

A program in Tompkins County, N.Y., sponsored by business, education, and youth-service leaders, has local software, banking, and automotive-manufacturing companies employing student participants for up to 20 hours a week and full time during the summer months. The companies provide employee mentors for their student workers, and the student jobs often lead to full-time employment at the end of the program.

The Fox Cities Chamber of Commerce, in eastern Wisconsin, worked with local companies, schools, and governments to set up a school-to-work program to service the area's huge printing industry. Apprentices, each sponsored by a printing company, enroll as juniors in a two-year program in which they spend two days in high-school or technical-college classrooms and three days on the job each week.

To learn more about school-to-work programs, call the Center for Workforce Preparation at the U.S. Chamber of Commerce at (202) 463-5525, or the National School to Work Learning and Information Center at 1-800-251-7236. You can also visit the information center's World Wide Web site on the Internet at *http://www.stw.ed.gov.*

THE ECONOMY

The Facts Behind The Wage Debate

By some measures, paychecks have shrunk, but overall compensation has gone up for American workers.

By James Worsham

"America needs a raise," proclaimed the AFL-CIO's new president, John J. Sweeney, late last year as he took the helm of the labor federation and pledged to do more for the nation's workers.

Corporate profits, stock values, and executive compensation all have surged during the economic expansion of the 1990s. The only thing that has lagged is workers' take-home pay, which has stagnated, says Sweeney.

When, he asks, will workers get their share of the economy's success?

Since Sweeney's election, his brand of business bashing has been taken up by President Clinton, Secretary of Labor Robert Reich, and Democratic leaders in Congress. Even front-running Republican presidential candidate Robert Dole, the Senate majority leader, has criticized corporations for laying off thousands of workers while seeing record profits.

Without a doubt, wages and income will remain a top election-year issue. Take-home pay is "the single most important economic issue in America today," says Stephen S. Roach, chief economist for Morgan Stanley & Co., a New York City based investment firm.

R. Bruce Josten, senior vice president for membership policy of the U.S. Chamber of Commerce, in Washington, D.C., agrees on the importance of the issue but believes "the media have failed to inform people about all the facts." Moreover, he says, the full picture shows that total compensation to workers has increased "quite dramatically" over the past 20 years.

Indeed, the best measures available challenge the prevailing view that workers are being shortchanged.

Wages

Real—inflation-adjusted—weekly wages have dropped almost 5 percent since 1979, according to the Labor Department's Bureau of Labor Statistics. The inflation-adjusted average hourly wage peaked in 1973 at $8.55. Since then, it has fallen to $7.42 in 1995, according to the BLS.

A separate measure of economic well-being, disposable personal income, has advanced only $378 from 1990 to 1994—reaching $18,320 per capita in inflation-adjusted dollars.

"Wages are stagnant on the average," says Barry Bosworth, a senior fellow at the Brookings Institution, a liberal-to-moderate Washington think tank; he was director of the Council on Wage and Price Stability in the Carter administration. "When people are saying their real incomes are falling, this is a real statement," he says.

Total Compensation

Total compensation—take-home pay plus fringe benefits—has been growing, however. That's because a large share of total compensation consists of benefits—everything from health-care coverage and sick leave to company contributions to retirement accounts. This is the result of a major trend over the past few decades to compensate workers with things other than direct, taxable cash.

"For 25 years, workers have chosen to take a larger and larger share of their compensation in noncash wages because they're not taxable," says Kenneth Deavers, chief economist for the Employment Policy Foundation, a business-supported research group in Washington.

Moreover, organized labor has not, until recently, made falling wages a major issue because it has pushed for more-generous health and pension benefits instead.

The annual survey of employee benefits conducted by the U.S. Chamber shows that employee benefits have risen from 17 percent of total compensation in 1955 to 40 percent in 1994.

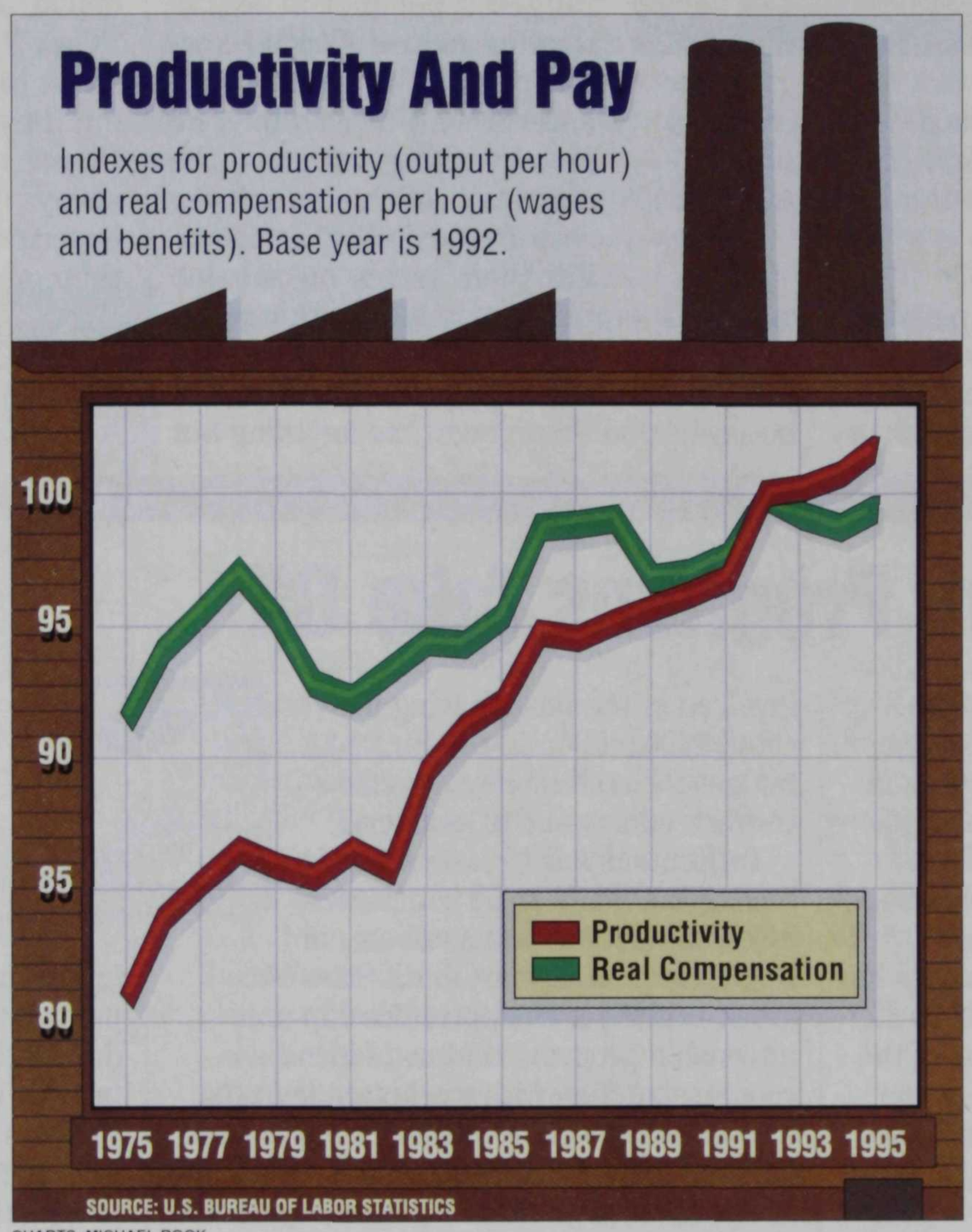
In fact, total compensation, as measured by the BLS employment cost index, has risen faster than general price inflation—as measured by the Consumer Price Index—every year since 1990. And while critics of business point out that the growth rate of the employment cost index is at a 10-year low, so is the rate of general inflation. Last year, the employment cost index rose 2.8 percent while the CPI rose 2.5 percent.

Productivity

Some analysts say that in addition to the increase in nontaxable benefits as compensation, another reason wages have lagged is slow growth in productivity.

Economists define productivity as the amount of worker "output per hour," or the amount of time needed to produce a given amount of goods or services. Most economists maintain that wages tend to rise with productivity growth.

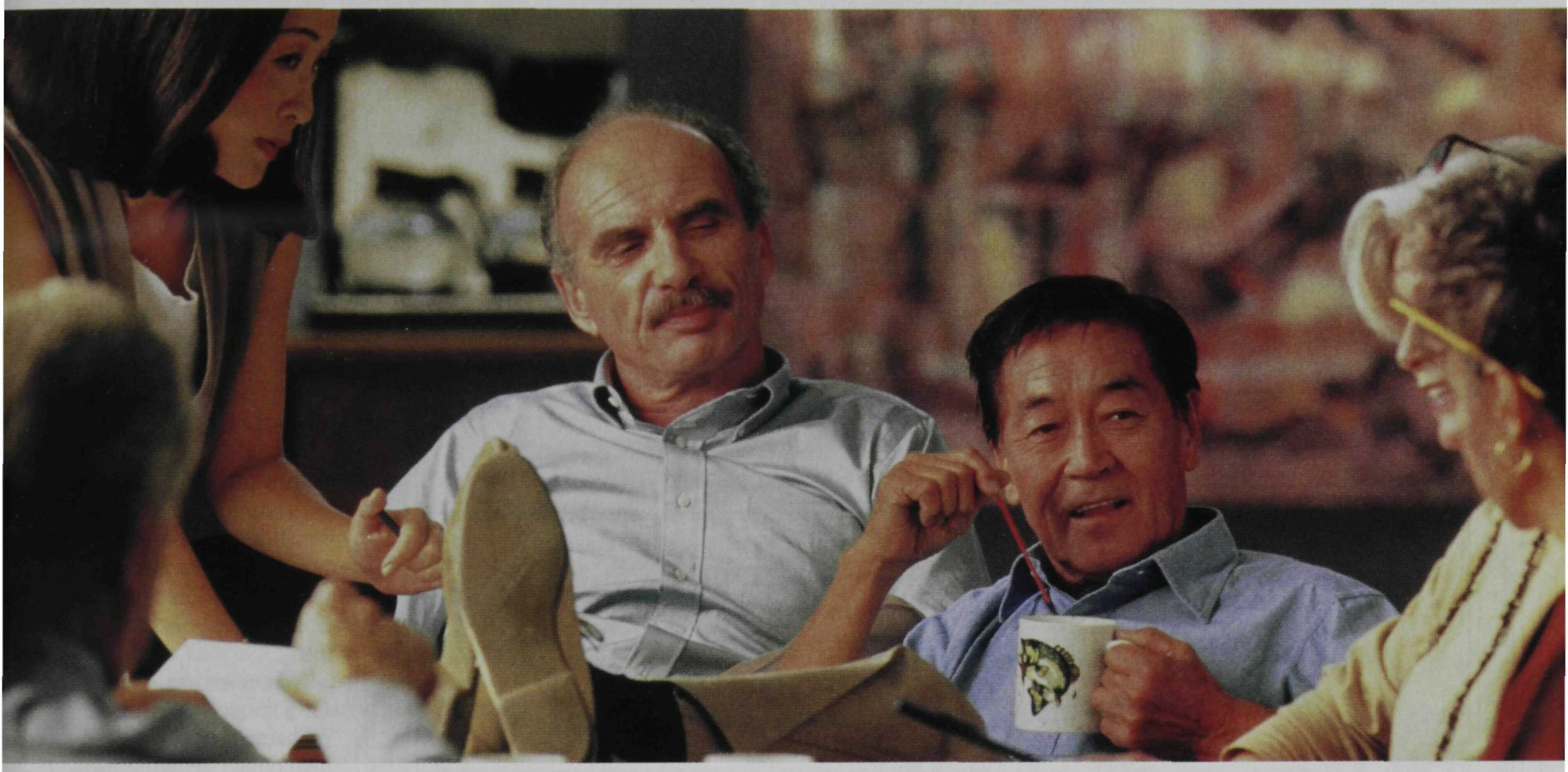
Since 1979, growth in productivity had appeared to outpace growth in wages, lending support to labor's demand for higher wages. But recent revisions by the



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BLS in productivity data have narrowed the previously reported gap.

Here are the specifics:

Until recently, the BLS reported that productivity grew at a plodding 1 percent a year from 1979 onward and accelerated somewhat in the 1990s. Indeed, the productivity indexes for 1992, 1993, and 1994 had been announced as growing 2.7 percent, 1.3 percent, and 1.9 percent, respectively.

In February, however, the BLS issued revised productivity figures calculated to track growth more accurately. The new figures show annual average productivity growth of 1.1 percent since 1990, lower than previously calculated.

These revised figures also show wages closing the gap with productivity. From 1979 to 1990, inflation-adjusted hourly wages grew at an average annual rate of 0.2 percent. But from 1990 to 1995, the growth rate in wages increased to 0.5 percent.

Carrying the comparison further, the gap between wage and productivity growth all but disappears when the BLS adjusts wages for inflation in the same way that it adjusts the productivity figures for inflation, says Ed Dean, the agency's associate commissioner for productivity and technology. In that case, the wage-and-productivity gap shrinks to two-tenths of a percentage point for the years since 1990.

Bruce Bartlett, a senior fellow at the National Center for Policy Analysis, a conservative research group based in Dallas, says that the new BLS calculations deny labor its strongest argument for higher compensation. "The evidence they were using evaporated into thin air," Bartlett says, referring to the BLS's revised productivity statistics.

But not everyone agrees.

Morgan Stanley's Roach, for one, says the change the BLS made revises productivity figures downward, but he thinks that three other revisions are necessary to reflect accurately other changes in the marketplace.

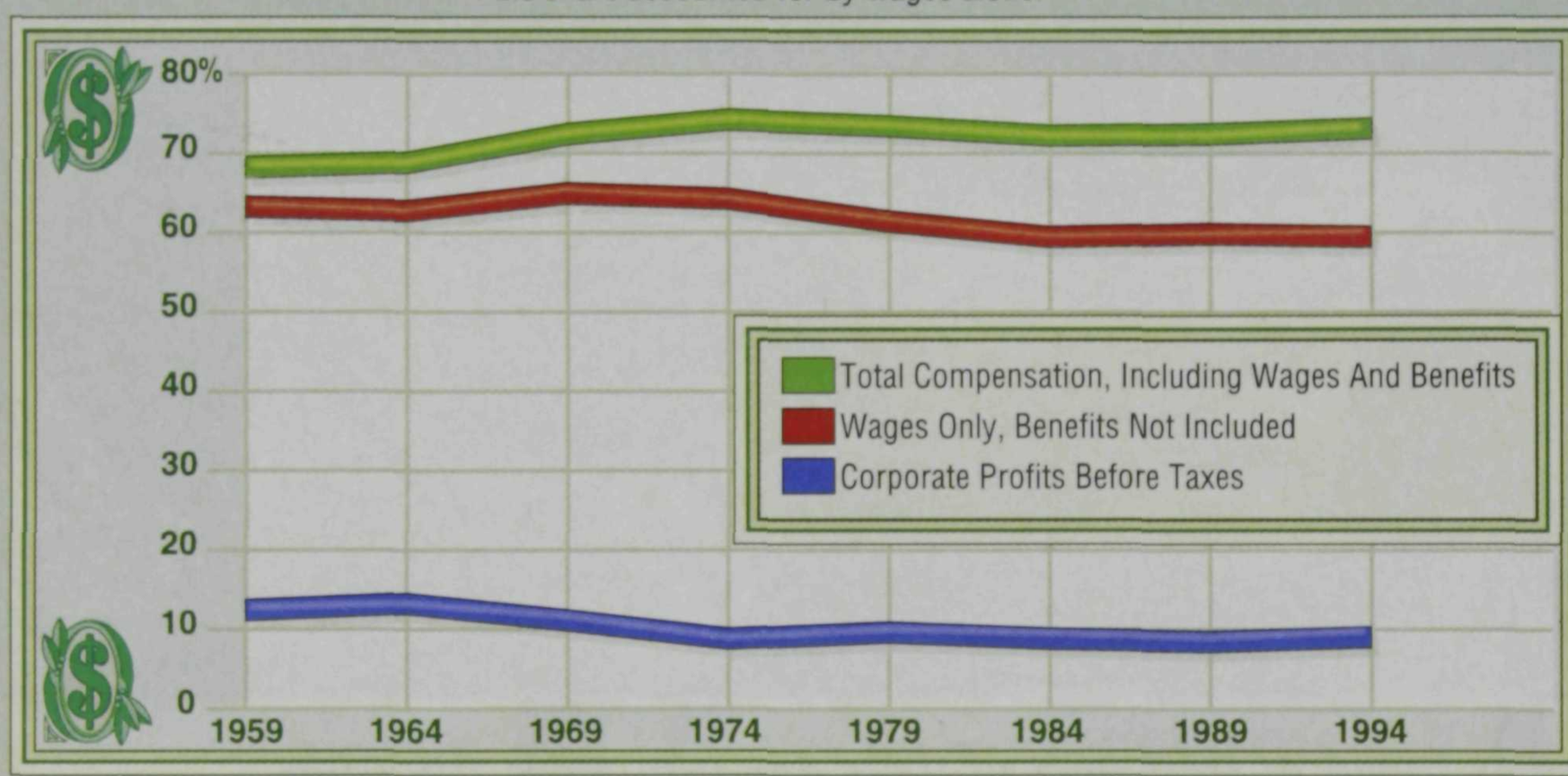
Roach says the productivity measures need to reflect both the improved quality and the greater convenience of products and services and the productivity gains that result from improved computer software. These revisions, he argues, would push the productivity figures higher and again show wages trailing productivity.

What has hurt overall productivity numbers is the loss of manufacturing jobs and the creation of many more jobs in service areas, ranging from health care and building maintenance to government and financial services, says Charles W. McMillion, chief economist for MBG Information Services, a Washington-based business-information and forecasting firm.

McMillion says that while productivity in manufacturing can be measured more accurately and more easily than in the services industry, the data suggest that manufacturing workers are more productive than service workers. The result, he says, is that overall productivity has slowed. "Manufacturing productivity has held up quite well, but we just do less of it," he says.

Compensation, Wages, And Corporate Profits: Their Shares Of National Income

The two largest components of national income are U.S. workers' total compensation (including wages and benefits) and corporate profits before taxes. The following percentages are the shares of each component for given years plus the share accounted for by wages alone.



SOURCE: U.S. BUREAU OF ECONOMIC ANALYSIS

Inflation

The debate over statistics will no doubt continue and may intensify, and much of it will center on the Consumer Price Index, the broadest official measure of price inflation and a key component in other indexes.

The CPI has enormous impact on the overall economy. It is used, for example, by government and business to guide important cost-of-living adjustments and labor-contract negotiators. It also is used in the federal budget to index major entitlement programs such as Social Security and military pensions and to adjust income-tax brackets to account for annual inflation.

In an interim report to Congress last fall, a congressionally appointed panel of economists concluded that the index has overstated inflation by about 1.5 percentage points per year and will continue to overstate it by about one percentage point annually if it is not adjusted. The panel's final report is due in June.

When an exaggerated CPI is used in adjusting measurements of U.S. economic growth, productivity, wages, and other factors, the CPI has too great an impact on the figures being adjusted, pushing them lower than they actually are.

The financial stakes, meanwhile, are enormous. Subtracting one percentage point from the CPI each year for the next decade—as some lawmakers and economists are advocating—would save $634 billion in projected Medicare, Social Security, and other entitlement payments.

Further revisions to the CPI calculations to remove any overstatement of inflation also would alter the debate over wages.

Deavers, of the Employment Policy Foundation, says that if, for example, you shave one percentage point off the historic CPI figures, it would be apparent that real wages (the constant-dollar version) and real compensation (wages and benefits) haven't fared as poorly as some have maintained.

A CPI adjustment of that magnitude could mean inflation wasn't as great as

previously thought and would lower other government indicators.

BLS economist Michael Harper says that the relationship between the CPI and other statistics isn't just one-to-one. While there may be some CPI-based overstatements, they are partially offset by the fact that other data in addition to the CPI are used in producing the statistics issued by both the BLS and the Commerce Department's Bureau of Economic Analysis.

Corporate Profits

There's also no denying that corporate profits are up. But they were down for a long time.

In inflation-adjusted dollars, corporate profits have been setting records in the past few years, but they still haven't recovered from the big dip they took in the 1970s and especially the 1980s.

In the 25 years after World War II, profits were high, often well over 10 percent of national income. But in the 1970s, as interest rates rose, profits took a beating. That continued in the 1980s, when corporate profits dipped to below 8 percent of national income. At the same time, corporations were paying double-digit interest rates on money borrowed for capital investments. Since then, corporate interest costs have declined.

"There is a big increase in corporate profits as a share of gross domestic product because the interest share has gone way down," says Brookings' Bosworth. "Mostly it's a return to normality."

With more net income, firms now are investing more in capital equipment and, in some cases, paying reduced dividends to shareholders. Stepped-up investment could pay off in increased worker productivity.

The Global Marketplace

The root of the pressure on wages, compensation, and productivity is no mystery: It's the economic reality of the 1990s.

U.S. businesses have sought to hold down labor costs to meet increasing competition at home and abroad. They must compete with foreign firms that frequently pay lower wages and charge less for their products and services. At home, businesses find themselves in a more deregulated and intensely competitive environment with market forces changing at rapid paces.

It is this intensified competition that has created much of the economic turbulence of recent years, with large firms downsizing and job security seemingly a thing of the past as workers watch some of the nation's largest and best-known companies lay off tens of thousands of employees.

The effect has not fallen on Americans evenly.



During this period, education has more than ever been a key determinant of income growth, with the rewards going to those with advanced schooling and technical skills. For example, since 1979, the only men who have made income gains are those with college degrees, according to the BLS.

Accordingly, the rewards of the nation's economic success have not been evenly distributed up and down the income scale.

"The trend is unmistakable. In the last 20 years, people in the bottom two-fifths of the economy have seen their money income stagnate or fall," says M. Jeff Hamond, an economic-policy analyst at the Progressive Policy Institute, a centrist Democratic research group in Washington. Those in the next two-fifths have seen little or no increases, and those in the top fifth have seen incomes soar, Hamond says.

The statistical squabbling over income, productivity, and the CPI may ultimately prove to be only incidental to the larger political agendas of candidates in an election year. There are voters to be attracted with promises of higher incomes and increased economic security.

But the Chamber's Josten believes that the political debate leaves out much information. The issue, he says, needs to be thoroughly aired: "This is a dynamic economy that's changing all the time, and important benefits to workers will ultimately emerge from that." NB



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ENTERPRISE

Lighting A Torch For Small Firms

The Atlanta Olympics have helped a lot of companies experience the thrill of victory, but their entrepreneurial skills will be tested further once this business boom passes.

By Tim McCollum



PHOTO: ©JOE STEWARDSON

Landing the job *of installing the Olympic track led to a world of opportunity for Essential Associates owner Thomas Harris, left, with Joe Hoekstra, a project manager for Mondo S.P.A., which is supervising construction of the track.*

Competitors from around the world will take their quest for gold medals to Atlanta's Olympic Stadium in July at the opening ceremonies of the 1996 Centennial Olympic Games.

Atlanta small-business owner Thomas Harris knows a little about the kind of desire these athletes have to see their hard work rewarded. He has already captured some Olympic gold of his own: His company won the $269,000 contract to install the Olympic Stadium track.

For Harris' firm, Essential Associates, the Olympics have transformed his onetime landscaping business into a growing construction-management company with international connections. It all started, says Harris, with a chance encounter with an executive of Mondo S.P.A., an Italian rubber-products company that was seeking the contract to provide materials for, and to supervise construction of, the Olympic track.

Harris met Mondo U.S.A. project manager Joe Hoekstra when he saw him surveying an Olympic practice facility near Essential Associates' office in Atlanta's Summerhill neighborhood. That led to an invitation to meet Mondo's president, Fernando Stroppiana, who was coming to Atlanta to bid on the Olympic track deal. Mondo won the contract and awarded Essential Associates the job of doing the grading and laying the track at Olympic Stadium and seven practice facilities.

Harris says the prestige that came with the Olympic connection has been a big boost to his five-year-old company. It helped the firm broaden its services and land new contracts, propelling revenues to more than $500,000. The work force has expanded from four employees and seven contract workers to 25 full-time employees. And other opportunities have opened up, including more Olympic and non-Olympic construction jobs in Atlanta and the possibility of additional work with Mondo at the Summer Olympics in 2000, in Sydney, Australia.

"I want to grab what the Olympics have brought us and take us forward," says Harris. "Because without the Olympics, it would've taken us 10 years to get here."

Small companies such as Essential Associates, along with many larger businesses, are enjoying a small part of the Olympic gold. The Centennial Games are expected to bring $5.1 billion in out-of-state private-sector spending to Georgia's economy, according to a University of Georgia study commissioned by the Atlanta Committee for the Olympic Games (ACOG).

About $2.7 billion of this spending will occur during the Games, which run from July 19 through Aug. 4, when an estimated 2 million people will visit Atlanta. The other $2.4 billion has been pouring into the economy as a result of the ACOG's preparations for the Games, particularly the con-

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struction of competition venues.

The committee plans to spend more than $500 million of its $1.5 billion budget to build 10 venues, including the $200 million downtown Olympic Stadium, which will be converted to a baseball stadium for the Atlanta Braves after the Games. Contracts for the stadium have been awarded to 108 companies, 70 of which are small businesses.

The Olympics have also been a catalyst for public-sector spending by the state and city on roads and infrastructure. Seven small Atlanta companies took part in a streets-and-bridges project through the city's Surety Bond Technical Assistance Program, which helps small businesses get the bonding they need to participate in city construction projects.

Participation by Georgia-based companies, many of them small businesses, has been an important part of the preparations for the Olympics. They make up nearly 60 percent of Olympic vendors. And besides the direct benefits from Olympic-related contracts, small businesses are being helped indirectly through increased sales in housing and retail and at restaurants.

Although getting a piece of the Olympic action held many potential rewards, it was an uphill battle for many small companies. Despite efforts by the ACOG to encourage local participation, there was only so much work to go around. Many companies that applied came away disappointed.

Even companies that were successful in winning contracts found the process difficult. "It was really frustrating because we didn't get some of the first projects we went after," says Cynthia Jones, a partner in Jones Worley, an Atlanta-based graphics and environmental-design company that is working on several Olympic projects. "I thought we were qualified. I thought we put on a good show."

Ultimately, some companies began to turn to non-Olympic projects. Olympic construction work pulled many companies away from other construction projects, creating opportunities for small contractors.

Many companies struck Olympic gold by becoming official Olympic licensees. But the competition for the licenses was fierce.

One small business that did win a license is San Diego-based Imprinted Products Corp., which will market collectible pins—traditionally a hot item among Olympic visitors—for the 1996 Games.

Entrepreneur Brad Shuman's company won the license three years ago. The company has similar licenses for professional football, baseball and basketball. It also had the pin license for the 1984 Summer Olympics in Los Angeles, but Shuman says the Atlanta license is more significant.

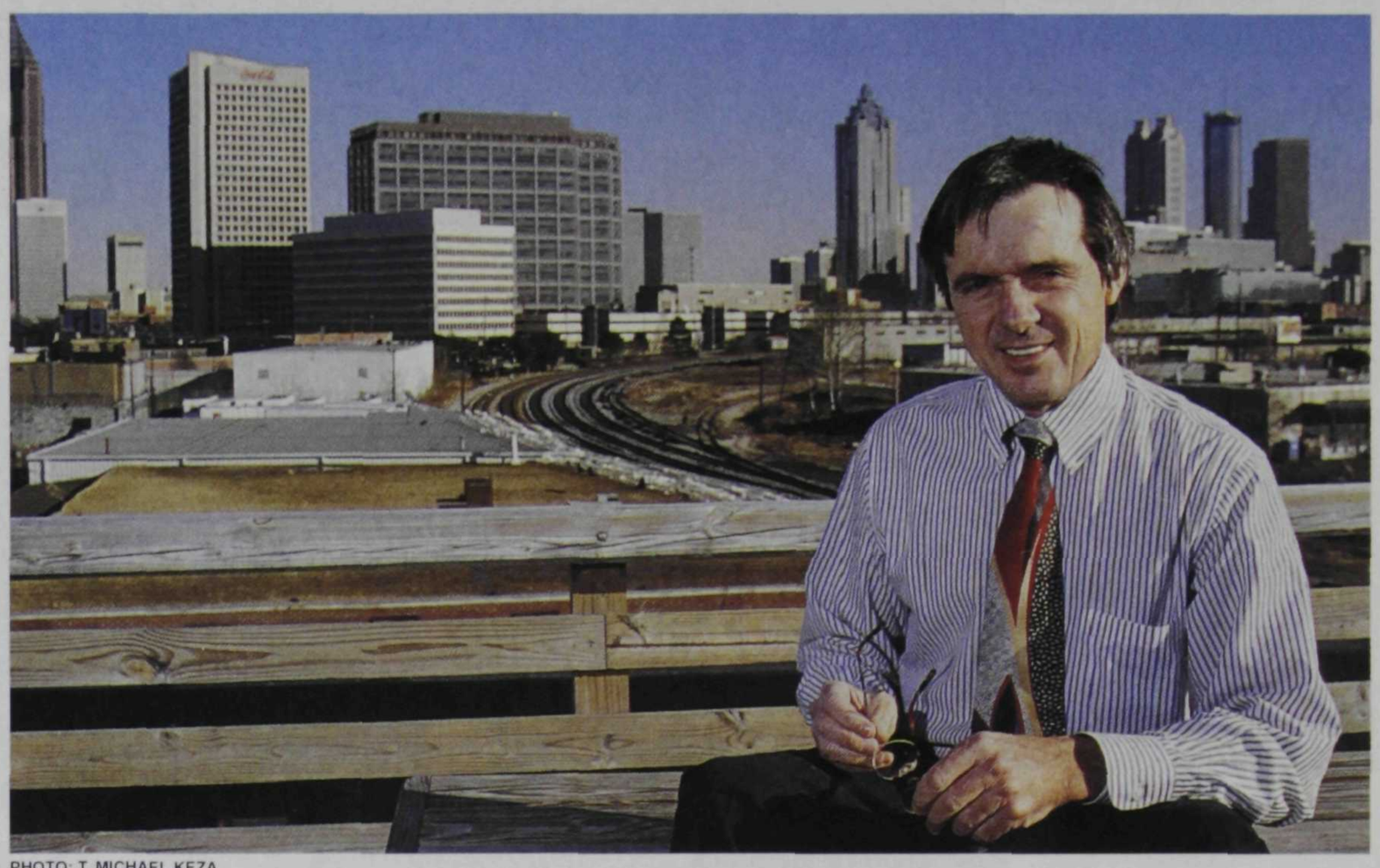


PHOTO: T. MICHAEL KEZA

A rooftop space *with a view of the Atlanta skyline is being prepared for NBC affiliates by TV-production company American Skylines, co-owned by Jack English.*

Olympic pins are bigger business now, he says, and they have given Imprinted Products access to new marketing channels for all its products in major U.S. retail outlets, as well as internationally.

Because of the size and reputation of the Olympics, "we'll go in and find other businesses that we've never been able to sell to—areas that we wouldn't have thought of before," says Shuman.

Things already appear to be working out that way. The Olympics have boosted Imprinted Products' revenues by 50 percent in each of the last two years, and the company recently won a license to produce pins for the National Hockey League Players Association and is negotiating for the pin license for the 1998 Winter Olympics, in Nagano, Japan.

Other small companies were successful in hooking up with companies as a subcontractor or sublicensee for Olympic work. Such opportunities abounded as contractors looked for local partners who could help them complete projects or meet increased demand for their products and services.

In many cases, subcontracting allowed small companies to build relationships with larger companies they might not have worked with otherwise and opened the door to future work.



PHOTO: ©MICHAEL A. SCHWARZ—ARISTOCK INC.

A sublicense from Hanes *to design and market Olympic T-shirts was a home run for Henry Aaron's company.*

Baseball home-run king Henry Aaron experienced this firsthand. For the past two years, his company, Henry Aaron Inc., has been one of 23 companies with sublicenses to design and market Olympic T-shirts for Hanes, the licensee for Olympic T-shirts. Aaron's success as a licensee for Major League Baseball caught Hanes' attention, and he hopes the relationship will lead to new opportunities with Hanes and other companies.

"These people have seen the kind of business

that we run," says Aaron. "The next time anything of this magnitude comes along, I don't think they would think twice about saying this is a good company. The scope of this can go far beyond the Olympics."

The Olympic T-shirt program is Hanes' first major collaboration with outside contractors and was necessary because of the volume of business expected. So far, the company is pleased with the results, says Mike Davis, vice president of Olympic licensing for Sara Lee Knit Products, which includes Hanes and Champion athletic apparel.

"We thought they would fill some customer bases that we didn't reach," Davis says. "But what we found was they were able to offer what the market needed. They were able to keep the market replenished and serviced so sales weren't missed."

The outsourcing goes further than just Aaron. His six-person company farms out the T-shirt design, printing, and much of the sales work to Image Works, an Atlanta-based merchandising and marketing company.



PHOTO: T. MICHAEL KEZA

The graphics *and design company owned by Cynthia Jones and Barry Worley helped create a visual concept for the Olympics.*

Aaron is one of many minority entrepreneurs who are doing Olympic business. According to ACOG figures, more than 28 percent of Olympic contracts have gone to minority- and women-owned businesses.

Diversity has been important to the ACOG, which encouraged minority and female participation in each area in which contracts for goods and services are awarded. As part of this effort, the ACOG has compiled a registry of minority- and women-owned businesses that have expressed interest in obtaining Olympic contracts.

Cynthia Jones of Jones Worley says the ACOG policy gave minority- and women-owned companies a better chance to compete for Olympic jobs. "When they looked around trying to find someone who could perform and do the work, we were prepared," Jones says. "We had a place, we had technology, we had people who would vouch for our credibility."

Jones Worley got its foot in the door as a member of the architectural and engineering team that designed Olympic Stadium. The company's experience on that and other venue-construction jobs led to the firm's selection to the ACOG's "Look of the Games" team, which created the visual-design concept for the Olympics. Jones Worley also designed the Olympic poster

Coping With The Disruption

Like many downtown Atlanta merchants, store manager Randy Teilhaber at Friedman's Shoes expects to do big business during the 1996 Olympics. That is, if he can get to the store to open it.

"I've got a feeling we'll have to get here about 5 a.m. and leave late at night," says Teilhaber. "We're going to have to stay here about 24 hours a day."

As the Olympics approach, Atlanta's business and government organizations are urging companies to plan for the convergence of 2 million visitors on the city during the Summer Games.

Large companies have been out in front in preparing themselves for the Games, but many smaller companies such as Friedman's have only recently begun to ask how they will be affected.

"The problem is so monstrous," says Gerald Bartels, president of the Atlanta Chamber of Commerce. "Take a little five- or 10-person insurance company that happens to be downtown. They're going to have to operate by phone from home. They aren't going to have nearly as detailed a plan in place" as a larger company might have.

Much of the business disruption is likely to stem from the concentration of most of the Olympic venues within a small area downtown. To control traffic, the city will close or restrict access to many downtown streets during the Games.

So what's a small company facing such a dilemma to do? The advice being given to Atlanta business owners on where to focus their attention might be useful to firms elsewhere facing similar—if less intense—kinds of business disruptions.

Organizations such as the Atlanta Chamber and the Commute Connections Network, which is affiliated with the Atlanta Committee for the Olympic Games, are urging companies to encourage employees to use alternative modes of transportation or to let them work flexible hours or from home. Companies are also being encouraged to plan for deliveries, staffing requirements, financial transactions, security, and potential loss of income because of transportation problems.

Companies such as Georgia Messenger Inc., a downtown delivery service, have been busy preparing. The Olympics will make the company's job much tougher than usual. Georgia Messenger will depend more on messengers traveling by foot or on rapid rail lines for deliveries and will sometimes use these means to relay packages to drivers in outlying areas.

"It's a combination of us doing what our customers want us to do and figuring out the best approach for getting from point A to point B," says Kenny Overby, Georgia Messenger's vice president.

The firm is working with regular customers to schedule as many deliveries as possible before the Olympics in order to cut down on the number of deliveries needed while the Games are running. Other downtown companies may also be unable to do as much business with repeat customers once the Games begin. The Atlanta Chamber's Bartels says it's inevitable that some companies will lose business during the Olympics, but he suggests that they take a wide view of how they have been affected overall in 1996 as a result of the Games.

and the Olympic countdown clocks over freeway overpasses downtown.

In addition to those working as sublicensees, some small businesses have found other opportunities providing services to larger companies involved with the Olympics.

The ACOG recruited large companies, such as AT&T, IBM, and United Parcel Service, to be corporate sponsors for $20 million to $40 million apiece based on their ability to provide needed goods and services. However, these sponsors in turn were good prospects for service-oriented small companies looking for Olympic business, and especially for firms that could help a sponsor promote its Olympic connection.

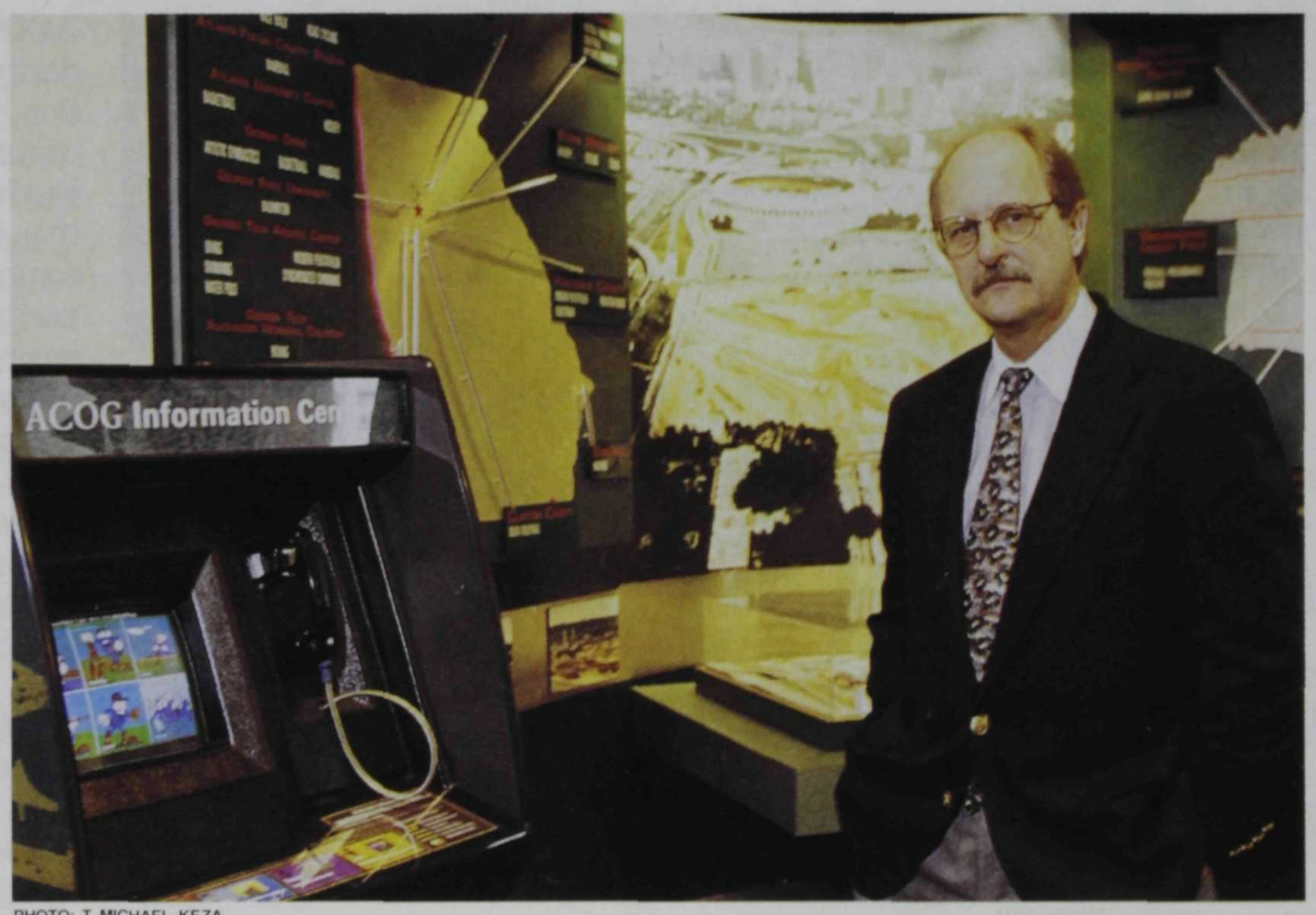


PHOTO: T. MICHAEL KEZA

Donating services *to help create Olympic information kiosks hasn't paid off yet for graphics firm TW Design, but Charles Wright, president, hopes it will.*

Atlanta-based event-management company Thompson McCarthy Inc. is working with Olympic sponsors BellSouth Corp., The Home Depot, and Motorola Inc., as well as with Nike Inc., to provide hospitality services for the many visitors these companies will bring to Atlanta before and during the Games.

During the Olympics, the firm will be responsible for lining up transportation, hotel accommodations, meals, and visitor information for their clients' guests, as well as for putting together client events. All this means coordinating limousine and van companies, caterers, delivery companies, hotels, and tour guides. "We work with different kinds of companies, so we know what their niches are," says partner Patti McCarthy. "We can bring them in as we need them."

The Olympics present a stiff challenge for McCarthy and partner Mary Lynne Thompson, who liken the Olympics to having an event like the Super Bowl for 17 consecutive days. The duo has been planning for the Games for two years and will add more than 300 staff people to their normal 12-person team.

Television-production company American Skylines faces a different kind of challenge: hosting 175 NBC broadcast affiliates during the Games. The firm is overseeing renovation of a 10,000-square-foot warehouse that will house production and editing facilities and sleeping quarters for the affiliates' broadcast crews.

The company will also provide rooftop space on two buildings with a view of Centennial Park and the Atlanta skyline where broadcasters can shoot stand-up shots for use on news programs.

The principals of American Skylines are Atlanta television-news veterans, and they believe that experience will help them anticipate the needs of their guests—everything from transportation to food to packaging color stories about Atlanta. It also helped them swing the deal with the NBC affiliates.

"It worked out great for them and for us," says American Skylines co-owner Jack English. "We were dealing with someone who knew how to do the Games and knew how to do it much better than we did. It's been a nice relationship because we have the local knowledge, the local facility."

Often, companies became involved in an Olympic project by virtue of an existing relationship with a sponsor or contractor. That was the case for Interweb Inc., a new World Wide Web design and marketing company that has created Internet home pages with Olympic-related content for BellSouth and its Small Business Services division.

The BellSouth sites have helped to estab-

Winter Games Contracts On Ice

How can a small company get a piece of the action in the Winter Olympic Games scheduled for 2002 in Salt Lake City?

Although organizers say most remaining Olympic contracts will be awarded after the 1998 Winter Games, in Nagano, Japan, they are compiling a registry of companies interested in contracts, to be awarded through open bidding.

Organizers say immediate needs are for business services such as advertising, insurance, and medical services.

More opportunities to provide goods and services will come once the Salt Lake Olympic Organizing Committee (SLOOC) begins to receive its share—about 60 percent—of the $555 million in revenue committed by NBC for broadcast rights.

Even before the IOC awarded the 2002 Games to Salt Lake City in June, the city and the state of Utah were preparing to host the Olympics. As a result, most of the construction work for the Games has either been completed or is under way.

Much of the advance work was made possible by a 1989 state referendum that earmarked $59 million in state sales-tax revenue to the state-run Utah Sports Authority to build the Utah Winter Sports Park, where many Olympic events will take place. The SLOOC will buy the sports park from the state in 2000 and will provide a $40 million grant to the state toward the private operation of the park after the Games.

Utah Sports Authority Executive Director Randy Montgomery says his organization has let all of its Olympic-related construction contracts, but some opportunities remain for facilities-maintenance work.

Having so much of the construction work completed has allowed the organizing committee to focus almost all of its $798 million budget on organizing the Games. The committee hopes to spend about half that amount with Utah firms.

To find out more about providing goods and services for the Winter Olympics, contact the Salt Lake Olympic Organizing Committee, 257 E. 200 South, Suite 600, Box 2002, Salt Lake City, Utah 84111.

lish Interweb's reputation and helped it gain clients such as CARE, an international relief organization, and investment-services company Invesco. However, like many Atlanta technology companies, Interweb wanted to become involved in more Olympic projects, only to discover that the ACOG and the Olympic sponsors were doing most of that work in-house, says the company's president, William duPont.

"We were hoping very early on that the Olympics could play a very major role in what we were trying to accomplish," duPont says.



PHOTO: ©JOHN ALEXANDERS—BLACK STAR

An Olympic license *has boosted revenues for Brad Shuman's collectible-pin company.*

According to the ACOG's director of technology, Bob Neal, the committee's policy has been to outsource technology work to IBM, Kodak, Panasonic, Xerox, and other corporate sponsors in the technology industry. Neal says the ACOG has turned to outside companies when there were gaps in what the sponsors could provide, particularly in integrating technologies.

Some of the technology sponsors did use outside companies to provide certain services, but the companies often did the work for free. Their hope was that it would lead down the road to paying work related to the Olympics—but that came with its own risks, as the owners of print- and computer-graphics company TW Design learned.

IBM's multimedia division recruited TW Design to be part of the team that created Olympic public-information kiosks to be placed at two Atlanta malls. TW created the external design, the touch-screen user interface, and computer graphics for the kiosks. TW donated its services, but it didn't count on spending 900 man-hours to complete the project, which lasted a year.

"In retrospect, I don't know that we really could've afforded doing what we did," says Donald Conrad, president of TW Design's sister company, Graham Wright Interactive, which does computer graphics. Conrad says the project cost the firm revenue and drew its focus away from priorities.

The company had hoped the project would lead to other Olympic jobs. "It just didn't happen," says Conrad. Even so, TW Design's president, Charles Wright, is hopeful the experience will pay off in the end as people are exposed to the company's work. He says IBM remains a customer. And TW did win the print-graphics contract to design the Olympic ticket-application brochures.

For many small-business owners, the Olympics have been a showcase for their companies, a chance to demonstrate their capabilities to potential customers. The Olympics have also given them an opportunity to establish a reputation and build relationships with corporate partners and new customers.

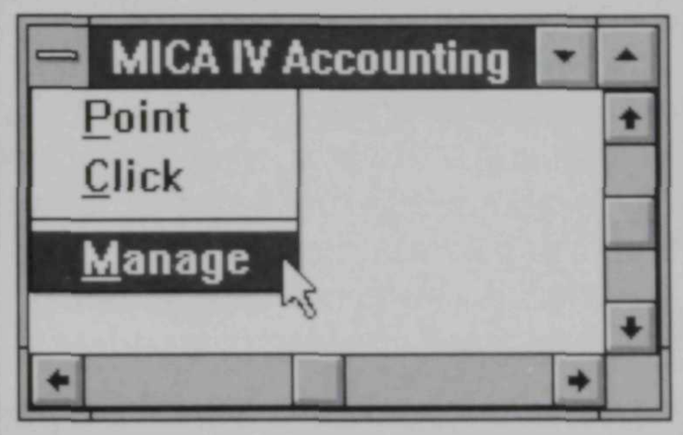
"For us, it's 'How do you establish the best relationship when the traveling road show leaves?' " says American Skylines' English. "It's an effort to do it as correctly as possible."

The Olympics have also provided a leg up and some stability for owners of young start-ups, such as Thomas Harris and Cynthia Jones.

"The [Atlanta] Olympics have been around almost as long as this business," Jones says of her five-year-old firm. "It has been what any small, fairly new business could dream of, and that is to have a single event to ensure your first five years."

Just as Atlanta sees the Olympics as a chance to boost its reputation internationally, these companies hope that the Olympics will take them to prominence at a higher level. It's up to the entrepreneurs heading the firms, though, to make the most of this opportunity once the Olympic torch is extinguished. NB

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MANAGING

Thorny Issues In Hiring

Prospective employees are more aware of their rights than ever; so employers need to be, too.

By Laura M. Litvan

Workplaces can harbor personnel pitfalls, as many small-business managers have discovered—often the hard way. And hiring is one area that can be particularly tricky.

Employment-law attorneys say it's especially important these days for employers to take steps to avoid legal complications by re-examining the types of questions they ask potential new hires.

For years, lawyers have counseled their clients to avoid questions that relate to age, sex, race, religion, national origin, or disability—areas covered by federal civil-rights laws. But even the most savvy companies make basic mistakes that can open the door to civil-rights charges. For example, while conducting a recent seminar about interviewing practices for employers, Clifford M. Koen Jr., an associate professor of business law at the University of New Orleans, was surprised when one corporate executive asked if it is permissible to inquire about an applicant's birth date.

Such a question is prohibited by a 29-year-old federal ban on age discrimination as well as by age-bias statutes in many states. Nevertheless, many employers continue to ask about age on application forms and in face-to-face interviews, says Koen.

In some states, civil-rights statutes go further than federal law, protecting job applicants from bias based on sexual orientation, smoking during off-the-job hours, or other factors.

"The general rule for any inquiry," Koen

Be Careful In Interviews With Job Candidates

The interview questions you routinely ask job candidates could land your company in hot water. Employment-law attorney Theresa Donahue Egler, of the firm of Pitney, Hardin, Kipp and Szuch of Morristown, N.J., offers these examples of questions commonly posed to prospective employees and some guidance on the potential pitfalls.



1. What is your date of birth?
This question violates federal and state laws barring age discrimination.



2. I see that you use a wheelchair. If we were to hire you, what accommodations would you require to perform the job?
Job bias against the disabled is banned under the Americans with Disabilities Act, but new federal guidelines say questions about required accommodations are allowed if a disability is obvious.



3. Have you ever filed a worker's compensation claim?
According to new federal guidelines, this question is impermissible under the Americans with Disabilities Act until after a conditional job offer has been made.



4. Sometimes, we will need the person we hire for this position to work late hours. Will this cause problems with your child-care arrangements?
If working late hours is an essential job requirement, it's OK to ask a potential worker about his or her ability to do so. But asking female applicants about child-care arrangements could pose problems under federal and state sex-discrimination laws.



5. What is your place of birth?
This question poses problems under federal and state laws barring discrimination on the basis of national origin.



6. Have you ever been convicted of a crime?
While asking about arrests is inadvisable, a question about convictions is allowable—but employers should still be cautious. Some state laws require an employer to follow this question with a statement that a conviction is not necessarily a bar to employment.



7. Do you own a home?
This question is not job-related and could have a discriminatory impact on minorities, which statistically have a lower rate of home ownership.



8. Are you legally eligible to work in the United States?
Employers must require proof of that eligibility after an applicant has been hired. However, the law allows the new employee some latitude in selecting documents to offer in support of a claim of such eligibility.



9. What is your native language?
This could pose problems under federal and state laws barring discrimination on the basis of national origin.



10. This job was created specifically to keep our business staffed on the weekends. It is essential that the person we hire be able to work on both Saturdays and Sundays. Can you meet that job requirement?
This is allowable because working weekends for this position is a key job function. But employers should be aware that this type of requirement poses a conflict for applicants of some religious faiths. Laws barring religious discrimination require employers generally to make accommodations for such employees, unless doing so would pose an "undue hardship."

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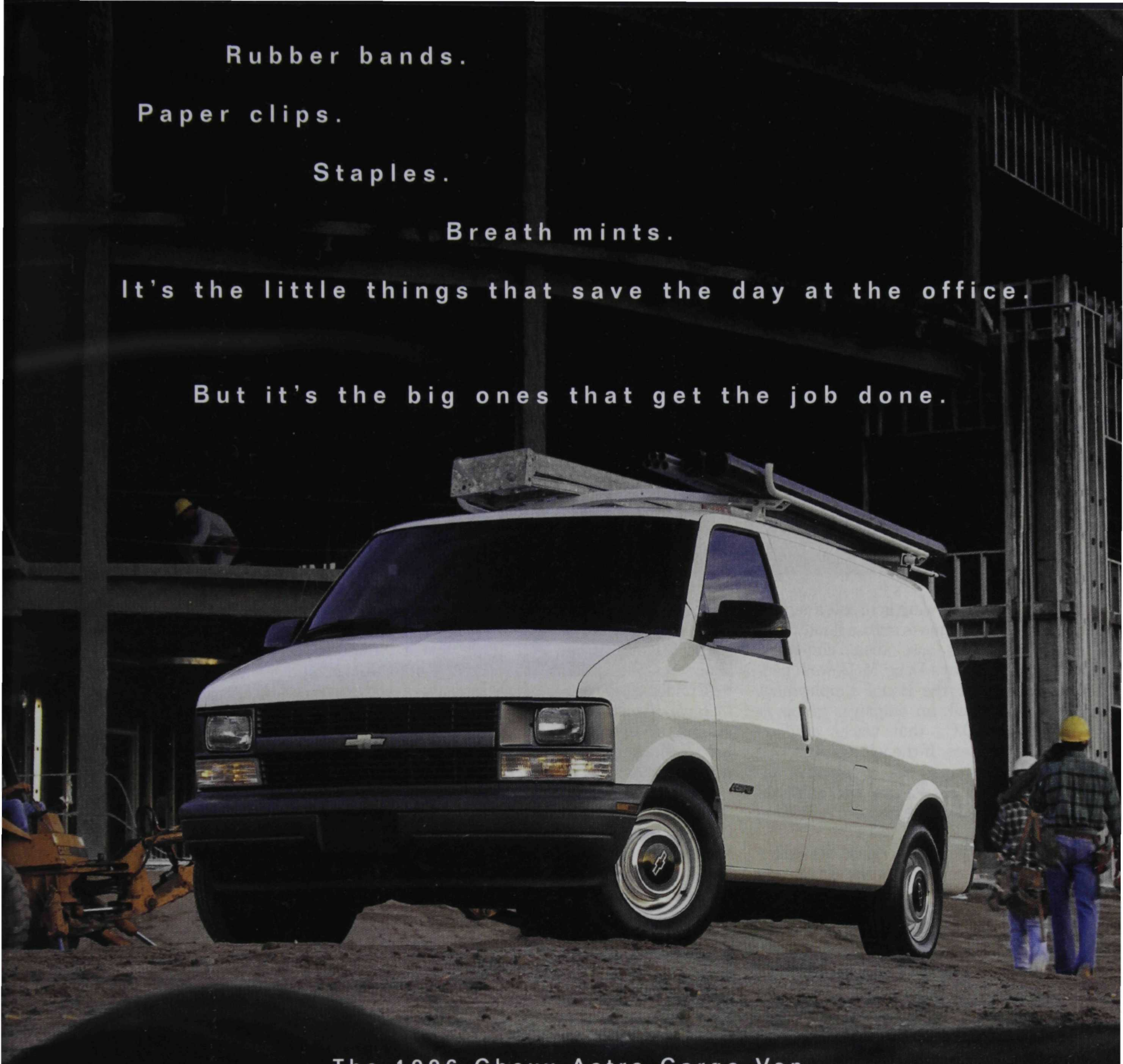
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says, "is simply this: Is this job-related? There's no reason to even let other issues enter into the conversation."

A big catch for some managers is that many questions that would seem to be only marginally related to protected areas are laced with potential liability, says Theresa Donahue Egler, a partner specializing in employment law with the Morristown, N.J., firm of Pitney, Hardin, Kipp and Szuch. For instance, she tells clients they should not even ask job candidates when they graduated from college or high school. While it's not exactly the same as asking applicants how old they are, it's close, she points out.

"The general rule for any inquiry is simply this: Is this job-related?"

—Professor Clifford M. Koen Jr., University Of New Orleans

Another common mistake in interviewing is to ask a female applicant if she plans to start a family or, if she already has one, about child-care arrangements, says Doug McDowell, general counsel for the Equal Employment Advisory Council, an employer group in Washington, D.C., that tracks employment-law matters. If the job requires long hours, then simply ask applicants—regardless of their sex—about their ability to fulfill the need for extensive overtime work, he says.

The law that has really raised the stakes for employers, however, is the Americans with Disabilities Act (ADA) of 1990, attorneys say. The chief goal of this newest of the nation's fair-employment laws is to remove the employment barriers that have confronted people with disabilities. The ADA has focused more specifically on the hiring process than have other major civil-rights laws.

The ADA says that an employer generally may not ask a potential hire disability-related questions or require a medical examination until after a conditional job offer has been tendered. A company may refuse to hire someone because of a disability only if that disability might prevent the person from performing the "essential functions" of the job. The ADA generally requires an employer to make accommodations that would enable a disabled employee to perform the required duties.

Since the employment provisions of the law went into effect in July 1992, employers have complained of confusion over the types of questions they can ask job applicants without running afoul of the statute. This past October, the U.S. Equal Employment Opportunity Commission released long-awaited final guidelines that address the issue of pre-employment questioning.

Most notably, says attorney Egler, the final guidelines open the door to some pre-hiring discussion that had been ruled out under draft guidelines released in 1994.

Under October's final guidelines, an employer and applicant now may talk in practical terms about the types of accommodations an applicant might need if he or she were to get the job. Such discussion can occur, however, only if an applicant's disability is obvious or if it is voluntarily disclosed by the job candidate. The discussion must be limited, though, to accommodations needed to help the employee perform the essential tasks of the job. (To obtain a copy of the guidelines and for information on other resources, see the box at right.)

The disabilities law, with its language about "essential functions of the job," has underscored the need for employers to have written descriptions of the key requirements of all jobs they offer, says Fred Steingold, an employment-law attorney in Ann Arbor, Mich.

The use of written job descriptions, which objectively state essential functions of positions, can lead to a more objective and consistent approach in dealing with applicants, he says. Written descriptions also can serve as evidence of a company's efforts to treat applicants fairly if the business's hiring practices come into question, he says. He adds that "some small companies still don't have job descriptions, and I think that's a mistake."

If nothing else, employers should be motivated by the knowledge that job seekers are more aware than ever of the protections provided by fair-employment laws, says Don Weiss, president and chief executive officer of Self-Management Communications Inc., a small-business training and development firm in Florissant, Mo. "In the past," he says, "people were not as aware of their rights." NB

To order a reprint of this story, see Page 75. For a fax copy, see Page 6.

Framing The Questions

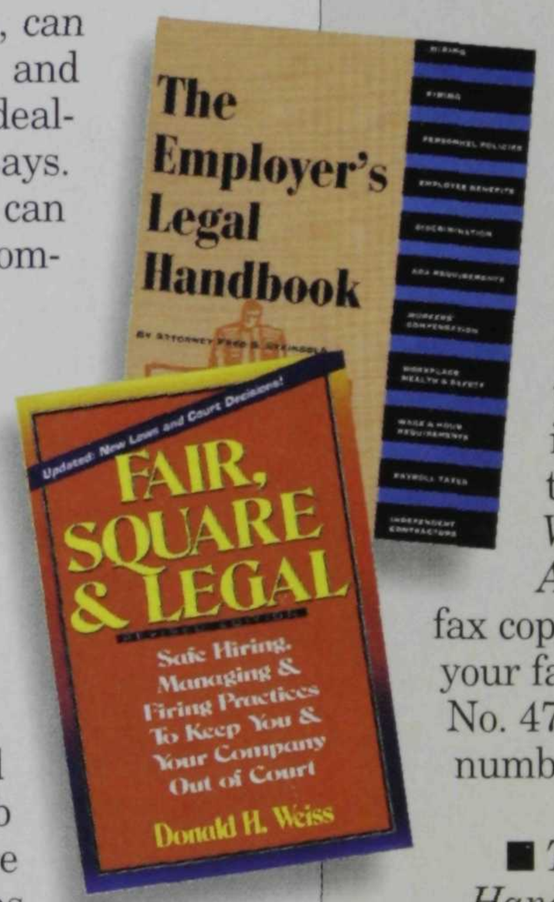
Following are some free or low-cost resources that could help you make sure your company's interviewing practices comply with civil-rights laws:

■ The U.S. Equal Employment Opportunity Commission has published guidelines outlining permissible pre-employment inquiries under two key laws, the 1990 Americans with Disabilities Act and the Age Discrimination in Employment Act of 1967.

For a free copy of each set of guidelines, write to: U.S. EEOC, Office of Communications and Legislative Affairs, 1801 L Street, N.W., Washington, D.C. 20507. Ask for "ADA Enforcement Guidance: Preemployment Disability-Related Questions and Medical Examinations," released in October 1995, and "Job Advertising and Preemployment Inquiries Under the ADEA," released in July 1989.

■ Some states publish extensive guidelines on questions employers should avoid under state fair-employment laws. These state statutes generally mirror federal anti-bias laws and, in some instances, include other matters, such as "smokers' rights" provisions. Your state's civil-rights agency is listed in the Blue Pages of your phone book.

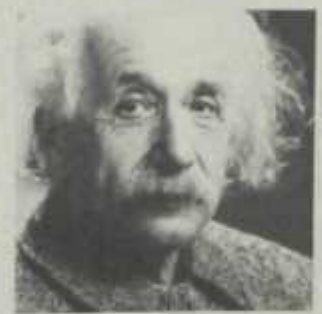
■ The American Management Association, a New York City-based group that offers management-training resources, sells a publication, *Interview Questions: What You Can and Cannot Ask.* It costs $15. To receive a fax copy, call 1-800-351-6116. Enter your fax number, request document No. 47008, and supply a credit-card number.



■ *The Employer's Legal Handbook*, by Fred S. Steingold (Nolo Press, 1994, $29.95), includes guidance on questions that should and should not be asked on job applications and in interviews. To order, call 1-800-992-6656.

■ *Fair, Square & Legal: Safe Hiring, Managing & Firing Practices To Keep You & Your Company Out of Court*, by Donald H. Weiss, (Amacom, 1995, $24.95) contains a chapter on safe interviewing practices. To order, call 1-800-262-9699.

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FINANCE

How To Get A 'Yes' From Your Banker

To get your loan approved, arm yourself with answers to the most common objections.

By J. Tol Broome Jr.

Proper preparation often determines whether your bank gives you a "yes" or a "no" answer when you apply for a loan. And one of the best ways to prepare is to be ready to answer objections.

Here are the five reasons most commonly cited by bankers when they reject a loan, followed by some suggestions for ways to respond to each reason for denial.

1 I don't know enough about you or your business.

There are a couple of key steps you can take to ensure that the loan officer is properly informed.

First, put together a business plan, even if your company isn't a start-up. "The existence of a business plan will help convince the banker that you have credibility as an owner," says Debbie Dixon, a vice president and manager for small-business loans with Citibank in New York City.

Bankers look for quality, not quantity, in a business plan. "The business plan may only be a few pages," says Dixon. "The key is that it be well thought out."

Second, be prepared to supply business credit references and your personal credit history. Dixon says that the owner's track record in repaying past business and personal obligations in a timely manner is vital in the consideration of a request for a small-business loan.

2 You haven't clearly stated why you need the money.

When a banker asks "How much would you like to borrow?" don't reply with "How much will you lend me?"

Before you go to the bank, perform an in-depth analysis of your borrowing needs, and take the information with you when you go to apply for a loan.

3 Your numbers don't support the loan request.

If your business has been only marginally profitable or even losing money, there's still hope. But it won't be easy. Bankers are trained to make loan decisions based primarily on a company's ability to generate sufficient cash flow through consistent profitability.

The key is to accentuate the positive. If you have been in business for five years and have lost money only in the past year or so, emphasize your success during the first four years and why you believe your profit problems are only temporary.



"If you have lost money, you need to know the reason for the loss," explains Cal Cleveringa, a vice president and small-business-loan officer with American State Bank, in Sioux Center, Iowa. "The downturn may be caused by the economy, health, or labor problems. We want to know what changes the owner will make to fix the problem."

Dixon agrees that one or two loss years will not automatically lead to a denial of the loan request. "It's quite common for small businesses to lose money," she says. "There are oftentimes good reasons for a loss, such as in Florida with Hurricane Andrew.

"We will try to look for other attributes," Dixon continues, "like the existence of a business plan, the leverage ratios, and whether the company is growing or at least not shrinking."

4 You don't have enough collateral.

Small-business owners complain that lenders lack an adequate understanding of the market value of assets such as machinery and inventory. And they are right. Bankers aren't experts on most of the collateral against which they lend.

Don't expect the bank to lend dollar for dollar against the collateral given, no matter what is being pledged. Banks have certain guidelines they follow in setting loan-to-collateral value ratios.

For example, banks generally lend no more than 80 to 90 percent of the value of a vehicle or real estate, 70 to 80 percent of a company's machinery and equipment and of accounts receivable, and 40 to 60 percent of inventory.

You may have personal assets such as debt-free automobiles, bank certificates of deposit, stocks, or real estate that could be used to secure the loan. "We often look outside the business to personal assets for collateral," says Cleveringa.

5 Your business does not support the loan on its own.

Most banks won't lend to any small business without personal guarantees from the owner or owners. The purpose of a guarantee is to provide a secondary repayment source for the loan in case the small business is unable to pay.

"As a matter of policy, we always ask for the personal guarantee of the owner," says Dixon. "We look at the small-business owner and the small business as being one and the same." Offering a personal guarantee upfront demonstrates a full commitment to your venture that will enhance your chances for loan approval.

Applying for a small-business loan can be a headache. However, if you are prepared to answer these common objections from bankers, you will improve the chances of obtaining the financing you need.

"We are looking to bet on the survivability and cash flow of a small business," says Dixon. "Good preparation by the business owner will help establish the credibility necessary to convince the banker that the business and the owner have what it takes to be survivors." NB

J. Tol Broome Jr. is a loan administrator for FirstSouth Bank in Burlington, N.C.

INTERNATIONAL TRADE

At A Crossroads In Latin America

The race is on among the U.S., Europe, and Asia to negotiate trade pacts in the region, and the stakes are high for U.S. firms.

By Roberta Maynard

Though reforms throughout Latin America are creating opportunities for U.S. companies, Asia or Europe may beat the U.S. to a trade-bloc agreement in the region.

When they're viewed as potential trading partners, the countries of Latin America have begun to look like the most popular girl at the dance, despite the nations' unattractive history of economic and political volatility.

The pursuit of various trade-pact possibilities in the region by the United States, Japan, and member nations of the European Union is beginning to shape up as a war—diplomatically speaking—for the Latin American market. The question is: Who among them will strike a deal for preferential treatment?

The current trade-pact activity follows the region's emergence from the so-called lost decade of the 1980s, which was characterized by authoritative regimes, state-controlled industries, and closed markets.

Even before the North American Free Trade Agreement, nearly every South American country had developed agreements with at least one other to promote trade by lowering tariffs and quotas.

Another motivation for these countries was to make themselves more attractive as future participants in NAFTA.



PHOTO: ©SANTA FABIO—BLACK STAR

Trade pacts *with Latin American nations would help Clarence Rivette's firm—which makes electric scooters for the disabled—improve sales there, says the chief operating officer.*

This story is part of a continuing series on managing at the turn of the century.

Through the Andean Pact, Bolivia, Colombia, Ecuador, Peru, and Venezuela eliminated most nontariff barriers among themselves and agreed to a common external tariff. Colombia, Venezuela, and Mexico have formed a free-trade pact called the Group of Three.

The largest Latin American trade bloc is the Mercosur, a common market established by Argentina, Brazil, Uruguay, and Paraguay. It represents more than half of South America's gross domestic product and 40 percent of its foreign trade.

Having already reduced tariffs by 75 percent, members of the Mercosur are working toward the free movement of goods and capital and ultimately full economic integration among the four nations. Chile and Bolivia are discussing whether to join the trade group as associate members, meaning they would participate but wouldn't abide by certain provisions such as the Mercosur's common external tariff.

The immediate risk for U.S. companies is that Latin American countries might make preferential trade agreements with nations or blocs outside the hemisphere, placing imports from the United States at a competitive disadvantage. Since early last year, members of the Mercosur have been negotiating with the European Union about preferential trade agreements.

There are strong Latin American ties to Asia, too; Chile and Mexico are members of the Asian Pacific Economic Cooperation.

And then there is the matter of the U.S. effort to bring Chile into NAFTA as a first step in building a Western economic powerhouse. Last year, trade ministers of 34 Western Hemisphere countries met to set a course toward the group's goal of a free-trade area in the Americas by 2005. Chile's accession to NAFTA by 1996 had been considered an important step in this process.

But what had seemed a sure thing became a lower priority for Congress and the Clinton administration as budget battles and other concerns took attention away from trade during 1995 and early



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this year. Now, trade experts say Chilean accession is unlikely in 1996.

Chile, meanwhile, reportedly has grown impatient with waiting in the wings since being invited in December 1994 to begin negotiations to join NAFTA. Chilean officials say they won't negotiate fundamental issues until the U.S. Congress approves fast-track trade-negotiating authority for the White House. That means that Congress participates in the drafting of the trade pact and agrees not to try to amend it when it is presented for a ratification vote.

Even if approving fast-track authority becomes a priority, the White House and Congress disagree about whether to tie in sanctions related to labor and environmental issues. The disagreement became a sticking point in NAFTA negotiations when the administration leaned toward such a tie-in but many members of Congress believed those matters should be negotiated separately. Ultimately, environmental and labor pacts were concluded separately.

Why is Chile important? The slender nation of 14 million people is no economic giant (see the chart on Page 42), but it is a model for reform that the region's major countries are trying to emulate.

About 15 years ahead of Brazil in its market reforms, Chile has an open, healthy economy with rules favoring trade and investment and a moderate 11 percent duty on imports. Total foreign investment in Chile in 1994 exceeded $4.6 billion, the highest in its history.

"Chile is important because it shows the way," says David Hirschmann, manager for Western Hemisphere affairs at the U.S. Chamber of Commerce, in Washington, D.C. "It has enjoyed 6 percent average growth for the past 12 years, has a long history of democracy, a 96 percent literacy rate, diversified trade, and is outward-looking."

Because of U.S. failure to bring Chile into NAFTA, Hirschmann says, "Chile is like a bride left at the altar."



Top Latin American Markets:

	Gross Domestic Product (In Billions Of U.S. Dollars)	Population (In Millions)
Argentina	$ 384	36
Brazil	1,180	175
Chile	94	15
Colombia	112	38
Mexico	415	103
Peru	56	26
Venezuela*	103	23

*Projections for 1999

SOURCE: THE ECONOMIST INTELLIGENCE UNIT, NEW YORK

CHARTS: GEORGIA LEIGH MCDONALD

Chile is important as a first step toward a more-encompassing trade agreement in the region. The potential for agreements between Chile and Europe, in particular, is real, and such agreements would have a marked effect on the competitiveness of American goods.

"Trade agreements between Chile and other countries would diminish the value of any agreement we had," says Hirschmann. "In the absence of a clear U.S. agenda and leadership, it will hurt us if Europe or Asia gains a foothold. The market will not wait. We have a chance to get preferential treatment in these dynamic economies. No other region in the world is offering us this."

Even without NAFTA, the United States is Chile's largest trading partner, followed by Japan, Argentina, and Brazil. The U.S. was the world's top investor in Chile from 1990 to 1994, accounting for one-third of the country's foreign investments during that period.

But Chile's participation in NAFTA could certainly benefit many U.S. firms selling goods there or planning to do so. An example is Amigo Mobility International, a Bridgeport, Mich., company that manufactures electric scooters for the disabled.

Clarence Rivette, Amigo's chief operating officer, estimates that Chile's participation in NAFTA would allow for an initial price reduction for Chilean customers of up to 5 percent on items priced from $2,000 to $4,000. The $17 million company also exports to Brazil, Argentina, and Mexico and stands to benefit from preferential trade treatment by those countries, too.

How trade relationships involving Latin American nations will evolve in the next few years is uncertain. Discussion may move away from NAFTA entirely. "The locus of activity has shifted to Mercosur," says Anna

Latin America By The Book

Companies that want to do business in Latin America may find the following publications on the region helpful. Unless otherwise noted, all were published in 1995.

■ *Investing And Selling in Latin America.* Contains chapters on each Latin American country, written by financial writers and edited by Shirley Christian.

The book costs $60 and is available in bookstores or by calling the publisher, Hemisphere Business, at (903) 677-4116.

■ *D&B's Exporters' Encyclopedia Regional Guide to Latin America,* a detailed, country-by-country description, including shipping and tariff information.

To order, call Dun & Bradstreet Information Services at (610) 882-7000. Cost is $100.

■ *The Brazilians,* by Joseph A. Page, provides an overview of the country's economy and culture. It is priced at $27.50 and is available at bookstores or by calling publisher Addison-Wesley at 1-800-358-4566.

■ *Strategic Marketing in South America* ($22.95), *Strategic Marketing in the Caribbean* ($26.95), and a 1996 publication, *Strategic Marketing in Central America* ($26.95), all by Lawrence W. Tuller.

All can be ordered from fomalhaut press at (610) 408-9110.

■ *North American Export Pages,* published by U S WEST, is a listing of 50,000 suppliers in the three NAFTA countries. The book is free to North American companies upon request; write to *North American Export Pages,* c/o U S WEST Marketing Resources, 198 Inverness Drive, First Floor, Englewood, Colo. 80112.

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Choice of Hospitals	#1
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Major health plans in Metropolitan New York were rated in 9 categories. Among point-of-service plans, Oxford ranked highest in 8 categories.

Source: CareData Reports, Inc. 1994

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Total U.S. Exports To Latin America 1986-1994

(In Millions Of U.S. Dollars)

Country/Region	1986	1987	1988	1989	1990	1991	1992	1993	1994
Mexico	$12,392	14,582	20,626	24,982	26,279	33,277	40,592	41,581	50,844
Caribbean Basin*	6,595	7,185	7,937	9,419	9,965	10,448	11,744	12,749	13,800
Argentina	944	1,090	1,054	1,039	1,179	2,045	3,223	3,776	4,462
Bolivia	112	140	148	145	138	192	222	218	185
Brazil	3,885	4,040	4,266	4,804	5,048	6,148	5,751	6,058	8,102
Chile	823	796	1,066	1,414	1,864	1,839	2,466	2,599	2,774
Colombia	1,319	1,412	1,754	1,924	2,029	1,952	3,266	3,235	4,064
Ecuador	601	621	681	643	678	948	999	1,100	1,195
Paraguay	171	183	194	167	307	374	415	521	785
Peru	693	814	795	695	772	840	1,005	1,072	1,405
Uruguay	100	92	99	134	144	218	231	253	311
Venezuela	3,141	3,566	4,612	3,025	3,108	4,658	5,444	4,590	4,039

*Caribbean Basin includes Caribbean and Central American countries.

SOURCE: U.S. DEPARTMENT OF COMMERCE

Szterenfeld, editor in chief for Latin America of the Economist Intelligence Unit, an international information firm based in New York City.

"It's quite possible that the linchpin of free trade will move down to Latin America and not be NAFTA," Szterenfeld says. Eventually, she says, there may be one large trade zone in the Western Hemisphere. "In theory, the blocs of free-trade groups could be pasted together into one."

In terms of public opinion, NAFTA may also suffer by having been linked unfavorably with the precipitous devaluation of the Mexican peso at the end of 1994, although pro-NAFTA experts say the situation would have been worse for U.S. companies and their customers had NAFTA not ensured low tariffs for U.S. goods. In fact, U.S. exports to Mexico in 1995 exceeded pre-NAFTA levels, amounting to $46.3 billion. Although last year's total was down from the record $51 billion in 1994—the year NAFTA took effect—it was far ahead of the $41.6 billion posted in 1993.

The peso devaluation was nothing less than a crisis for many U.S. companies. Those selling consumer goods, in particular, saw sales evaporate.

In Texas, the United States' largest exporter to Latin America and the Caribbean, there had been a boom in the number of companies selling in Mexico—even before NAFTA. When the peso devaluation occurred, the phones at the Texas Department of Commerce simply stopped ringing, according to Teresa de Onis, the department's regional director for Latin America.

Amigo Mobility's annual sales of motorized scooters in Mexico went from 150 units to 10. "It was pretty ugly," says Rivette. "The company's rep had $25,000 to $30,000 in inventory. No one was buying anything, and no one could borrow money." Rivette expects sales to be light again this year.

The Mexican economy contracted about 7 percent in 1995, and the Economist Intelligence Unit projects that GDP growth will be just 1.9 percent this year and 3 percent in 1997.

But there was a bright side to the crisis. "Instability in Mexico has caused companies to look at other countries in the region and find opportunities there," says Peter Tierney, export director for World Technology Corp., an export trading company in Detroit.

More important, the peso crisis confirmed the strength of economic reforms in other Latin American countries when they were left largely unaffected except for a reduction of capital inflows during the first quarter of 1995.

Otherwise, privatization and liberalization of financial sectors continued in the region. In Brazil, 1995 was an exceptional year in which the country's legendary inflation dropped from 50 percent per month to 2 percent. The economies of Chile and Paraguay grew at sustained rates.

So-called second-tier countries continue to offer opportunities in niche markets, says Szterenfeld of the Economist Intelligence Unit. Colombia has a stable economy and is the only country in Latin America that has never rescheduled its foreign debt, she notes. And Peru, also with a stable economy, had a growth rate in 1995 of more than 7 percent.

Nonetheless, Latin American countries, particularly the emerging markets, still face formidable challenges, one of which stems from their demographics, says Peter Kennedy, director of emerging markets for The Futures Group, an international management consulting firm in Glastonbury, Conn.

"Across the region, with the notable

exceptions of Argentina and Chile, the baby-boom cohort—the last wave of high numbers of births that occurred before family planning began to take hold [in the late 1970s]—is reaching the job market for the first time," says Kennedy. "The challenge for governments is to absorb them into the job market."

The governments' success will determine the growth of a middle class with the purchasing power required to create a lucrative market, Kennedy says. "Added to this is the management challenge that all needs are [being felt] with a backdrop of incredibly restrained resources," he says. "With reforms came the removal of subsidies."

The first-tier countries need to create a skilled work force through training and education, something Chile has already started to address, says Kennedy. "Largely because of the revolution in technology in the past 15 years, cheap labor won't be an [investment] magnet as it has been in the past."

How will the Latin American market look in 2000? Probably better than it did in 1995, barring some global economic catastrophe, says Kennedy.

Many governments are trying to enact pension reform and to encourage savings, he says. "Unlike Asia, Latin America does not have sufficient domestic savings—personal or government—to weather serious problems. Overall, the outlook is positive, but not without periods of volatility."

The Latin American market will probably look better in 2000 than it did in 1995. U.S. companies' best hedge against volatility is to have the best knowledge of the market.

—Consultant Peter Kennedy, The Futures Group

U.S. companies' best hedge against volatility is to have the best knowledge of the market, says Kennedy. The danger, he says, is in taking the most robust view of the future. "Typically, companies extrapolate from the current situation and don't factor in volatility. We preach that emergence is not a linear process; it never works like that. It's an up-and-down process. Brazil, for example, is still struggling with the challenge of a young democracy. It will be a very different country in five years.

"Companies need to play through the most plausible path the country could go down and ask: 'Could I thrive in this world? If not, what do I have to do now?' "

The trade pacts now under discussion will set the course for the region well into the next century. But they are no guarantee against instability.

"As the crisis in Mexico demonstrated," says the U.S. Chamber's Hirschmann, "trade agreements don't prevent countries from making unwise economic decisions. They only set the trade rules of the game."

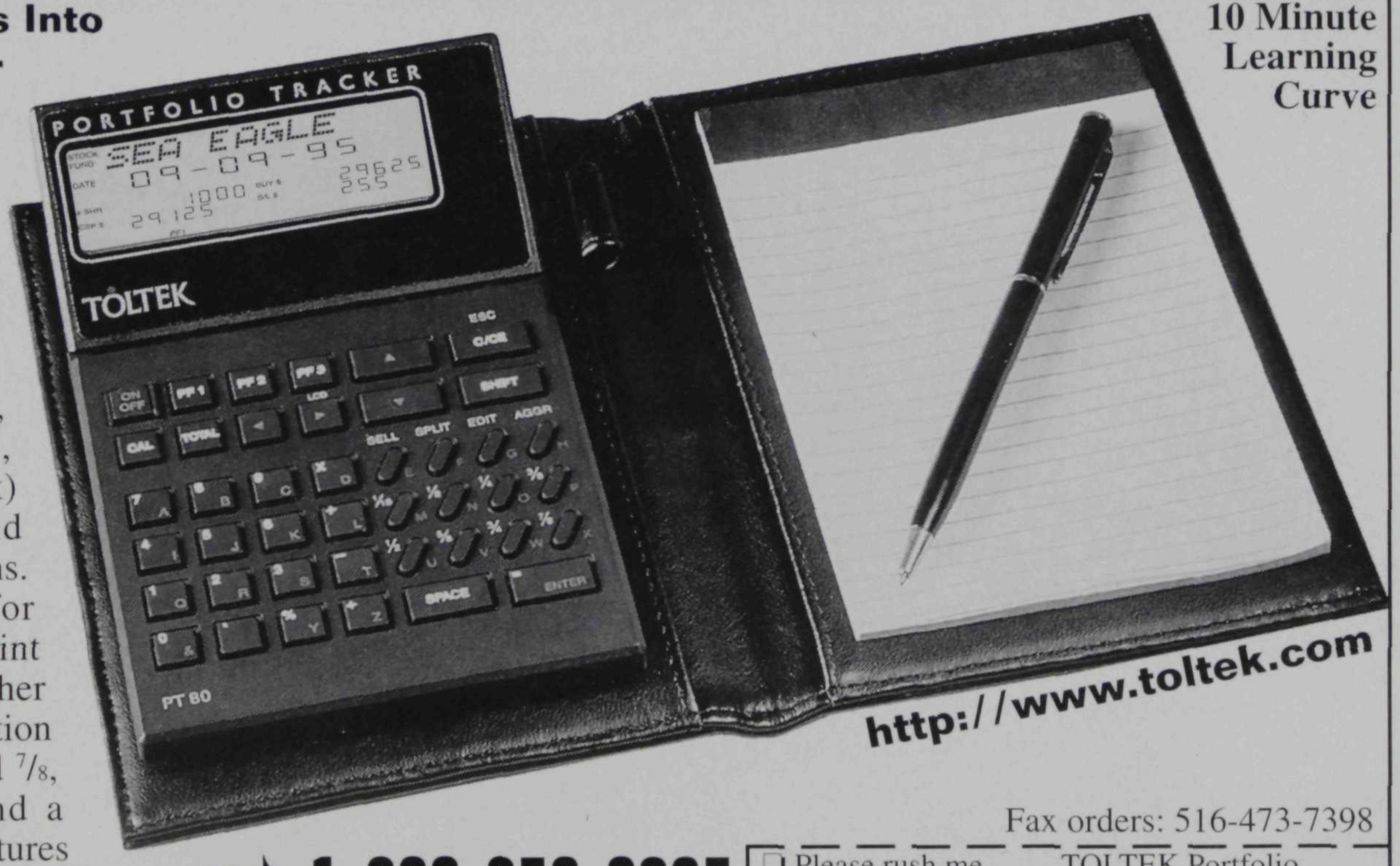
With or without preferential treatment, trade will go on. "We certainly see the reduction of tariffs as beneficial," says World Technology's Tierney. "But the fact is, we have to be in those markets whether the tariffs are high or not. I wouldn't compare it to Asia in terms of growth, but it will be a region to be reckoned with in the next millennium." NB

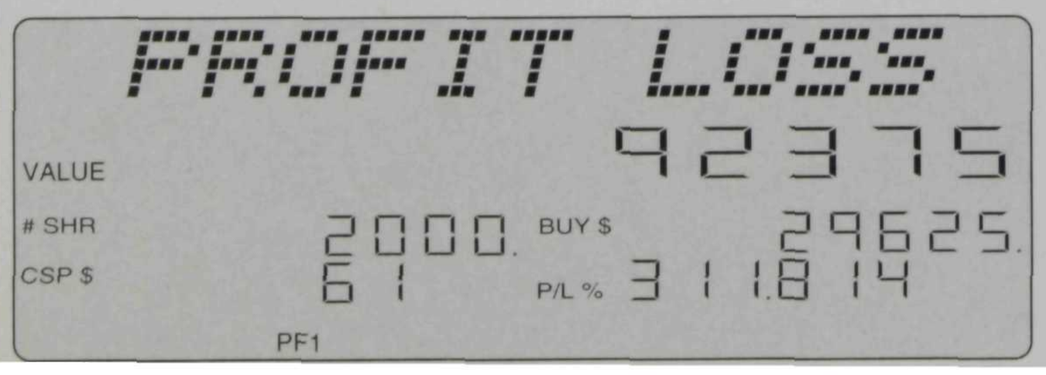
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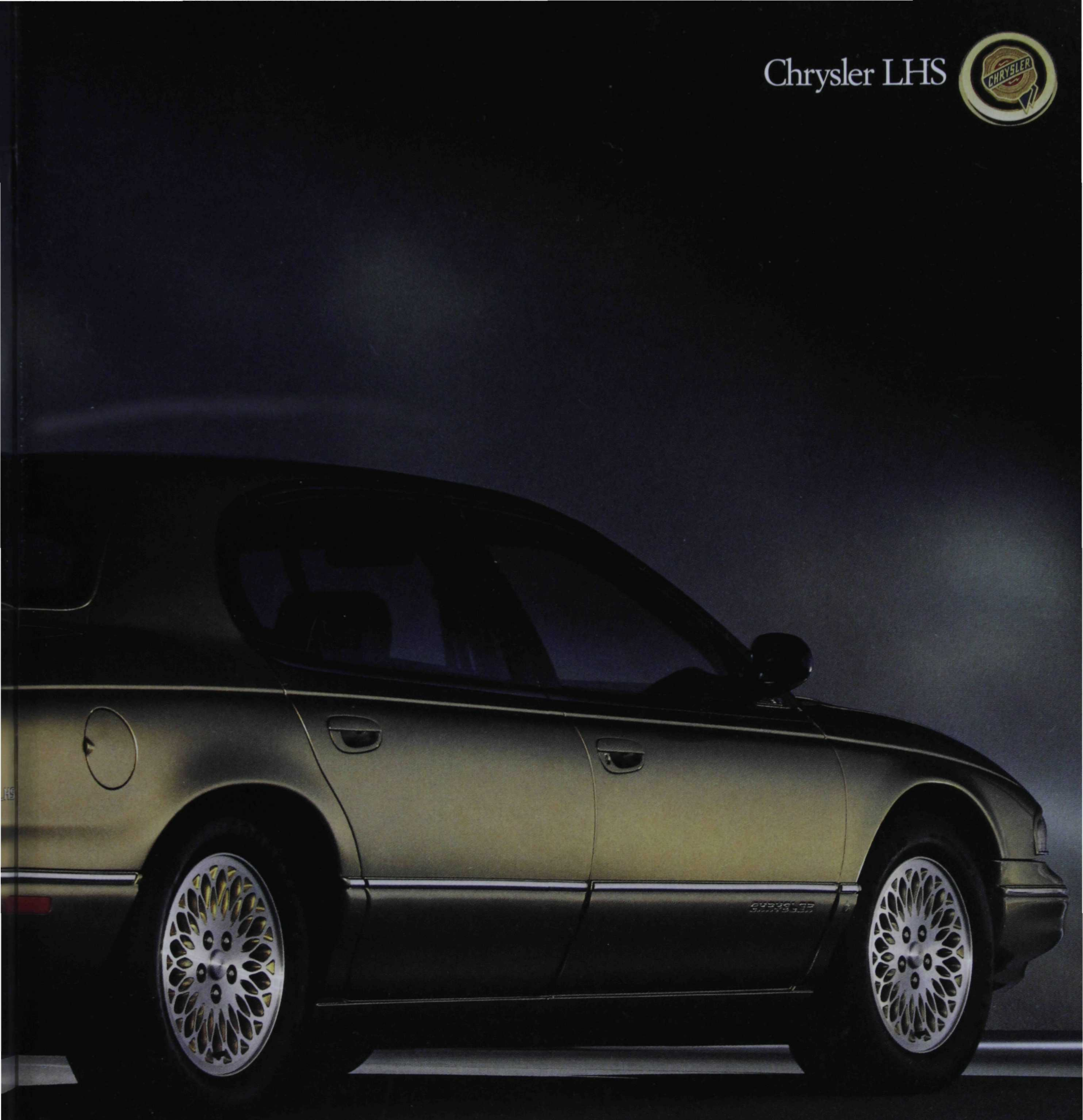
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ENTERPRISE

When The Going Gets Tough . . .

. . . the tough put one foot in front of the other and move forward—as this year's national Blue Chip honorees have shown.

By Sharon Nelton

It seems as if destiny found the Achilles' heel of each of the business owners whose companies have been named national honorees in this year's Blue Chip Enterprise Initiative program.

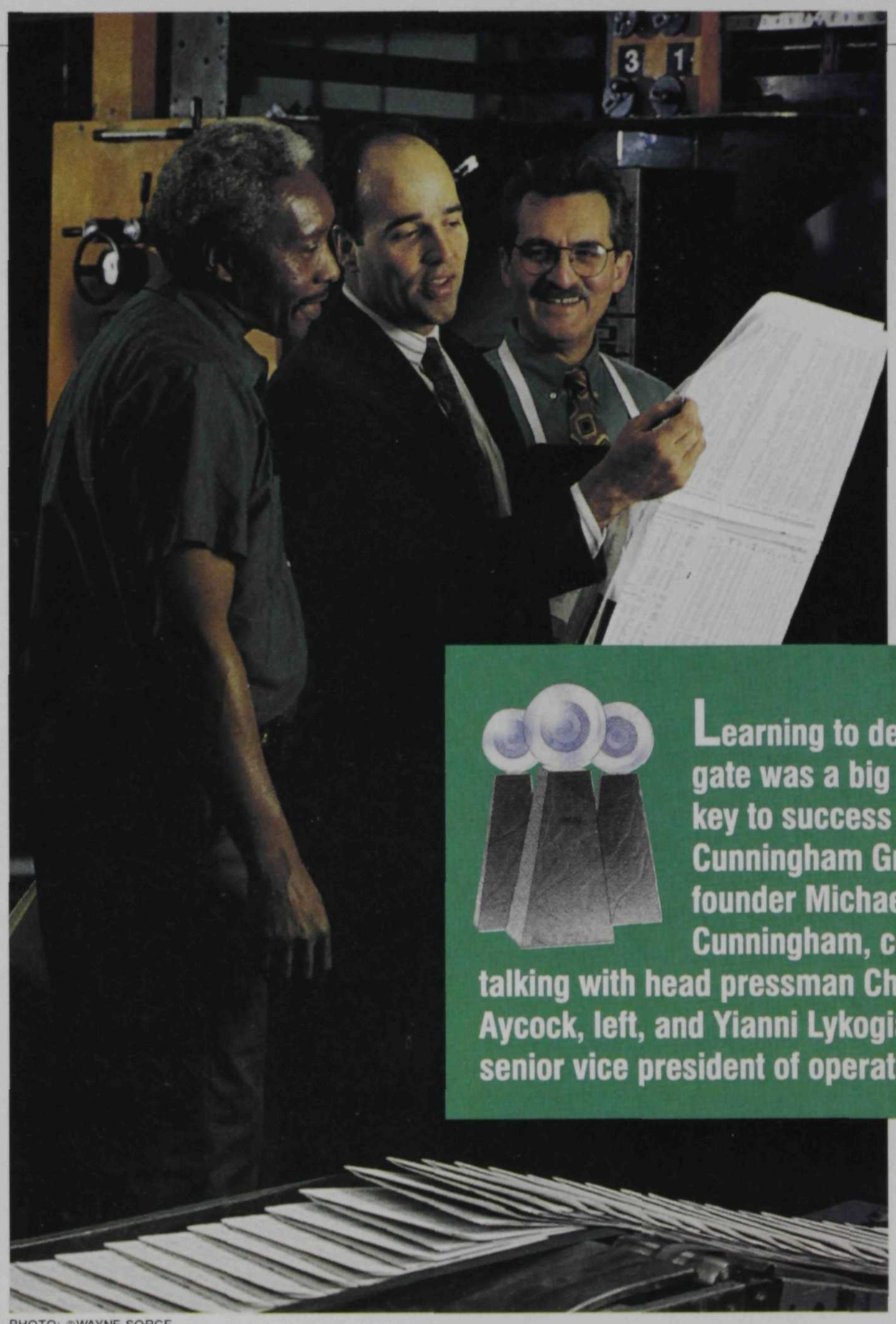
For Michael Cunningham, of Cunningham Graphics, Inc., in Jersey City, N.J., it was an economic downturn. For Rod Rodrigue, it was bankruptcy—a result of a banking collapse—but he went on to revive the Belfast & Moosehead Lake Railroad, in Unity, Maine. Barry Potekin says arrogance led to a fall before he founded Gold Coast Dogs, a fast-food company in Chicago. And Rena and Richard Pocrass of Chocolates à la Carte, in Sylmar, Calif., met their match in the form of a devastating natural disaster.

When events expose a soft spot, a business or an owner can be brought to the brink—or, in some cases, can be brought down altogether. What set these owners and their companies apart was their ability to recover and the style with which they did it.

The Blue Chip Enterprise Initiative is an awards and education program that searches out small companies that have overcome extraordinary challenges and emerged stronger. Now six years old, the initiative is sponsored by the U.S. Chamber of Commerce, *Nation's Business*, and Massachusetts Mutual Life Insurance Co., now known as MassMutual — The Blue Chip Company. MassMutual recently merged with Connecticut Mutual Life Insurance Co., the originator of the program.

Earlier this year, 175 companies were designated as state or regional Blue Chip Enterprises. (For a complete list, see "Deciding To Succeed," in the March issue of *Nation's Business.*) Of those, 48 were selected to go on to a national judging, from which the four top designees were named.

The national Blue Chip Enterprises received their awards recently at ceremonies at the U.S. Chamber's annual meeting in Washington, D.C.



Learning to delegate was a big key to success for Cunningham Graphics founder Michael R. Cunningham, center, talking with head pressman Charles Aycock, left, and Yianni Lykogiannis, senior vice president of operations.

PHOTO: ©WAYNE SORCE

A key part of the Blue Chip program is sharing information about how the designees succeeded, so that other small businesses can benefit. In that spirit, *Nation's Business* offers the following stories of this year's national Blue Chip Enterprises:

Growing By Letting Go

As he describes himself, Michael R. Cunningham, 36, used to be the kind of business chief who felt like he had to do every little thing himself. The president of Cunningham Graphics, in Jersey City, he was, he says, "an entrepreneur who handled everything from changing light bulbs to running a press to going out there and selling."

But when his company got into deep trouble, he discovered that letting go of such tight control could help him find a way out.

Cunningham started CGI, a printing brokerage that specialized in the financial-services industry, in 1983. Six years later, thinking he could beat the recession that was settling over the northeastern United States, he opened his own manufacturing facility with 11 employees. He says he spent the next two years "virtually living at Cunningham Graphics"—managing production at night and selling by day. In 1991, however, the recession caught up with CGI.

"I remember it like it was yesterday," says Cunningham. Revenues were up, but costs were staggering. And CGI's primary bank, hit by the failures of other printing companies, pulled out. To meet payroll, Cunningham borrowed $60,000 from the $70,000 in his own personal pension plan.

He needed more capital, he needed more sales, and he needed to hold costs down. And that's when he began to let go.

First, he sold 10 percent of the equity to two investors from a well-established printing-industry family, giving the company enough capital to weather the slump and bring in sales. "In a tough situation, too many people still [feel they] have to control it all and hold on to everything," says Cunningham. "I made a decision to give up some equity to enjoy the longevity of the company."

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printing that he was already doing, he moved into other markets, including mutual-fund printing, commercial printing, and publication printing.

What took longer and proved harder to do was giving up the minute details of management. "The triggering event was a real soul-searching conversation that I had with my wife, who said, 'You can't spend 23 hours at the shop anymore every night. It's killing you.'" The year was 1993, and Cunningham began to force himself to delegate. He saw the results immediately, as sales soared 30 percent from 1993 to 1994.

He learned that many of his key people were better managers than he was. "I would look to save a nickel anyplace I could, even with salaries," he says. That worked when the company was smaller, but as it grew, his plant superintendent told him, "Mike, you have to look at *total* cost. Invest in some quality people on the presses and you'll see the waste factors go down. You will see productivity go up. You'll see there'll be more on the bottom line, even though you're paying more per hour for these people."

Cunningham says he gave the superintendent six months to do it his way, "and sure enough, everything he said worked." For Cunningham, "it was a huge turning point."

Today, CGI is a global company with electronic links to stock-brokerage houses in London, Hong Kong, and Tokyo. A "nice new niche," says Cunningham, is taking over and running the in-house print shops of major corporations. CGI has more than 230 employees, and 1996 sales are expected to exceed $30 million. "We're having a record year," says Cunningham. With a smile.

The Entrepreneur That Could

It was 1990, and Rod Rodrigue needed something to do. A former U.S. Navy engineer and oil-company executive, Rodrigue and a partner had started and then sold one company, a New York City enterprise that sold chemicals to the power industry worldwide.

Rodrigue returned to Maine, his home state, and founded a salvage company. Sales requests were approaching $5 million a month in the late 1980s when the banking industry in New England collapsed and Rodrigue's primary lender "pulled the plug on us," throwing his company into Chapter 7 bankruptcy. "I went from a fairly sizable net worth to real devastation," says Rodrigue, 51.

At first, he thought it was the worst thing that had ever happened to him. But he was at last off the treadmill, and, he says, "I found my life changing for the better." He met—and married—"a wonderful woman." He reconnected with family members. He had time to think about what was important in his life, and one thing he knew was that he wanted to stay in Maine.

As Rodrigue, who lives in Morrill, recalls, "A few miles away in Belfast was a small railroad that no one seemed to be able to do anything with." Founded in 1867, the 33-mile Belfast & Moosehead Lake Railroad—"The Old Bull Moose"—was owned by the coastal city of Belfast and some smaller shareholders. While it didn't actually go as far north as Moosehead Lake, it connected towns from Belfast to Burnham.

It once brought grain to the thriving poultry industry in Belfast and was, says Rodrigue, known as "the chicken-feed railroad." But by the early 1990s, it had become a financial burden on Belfast. It was clearly doomed unless the city could sell it.

Rodrigue had a dream: breathe new life into the line by operating it as a tourist railroad. He found two initial investors (who have since moved on) and entered into an agreement with Belfast to take over the line. He and his partners paid $150,000, assumed the railroad's $500,000 of debt, and promised to run the B&ML as a tourist line for at least four years.

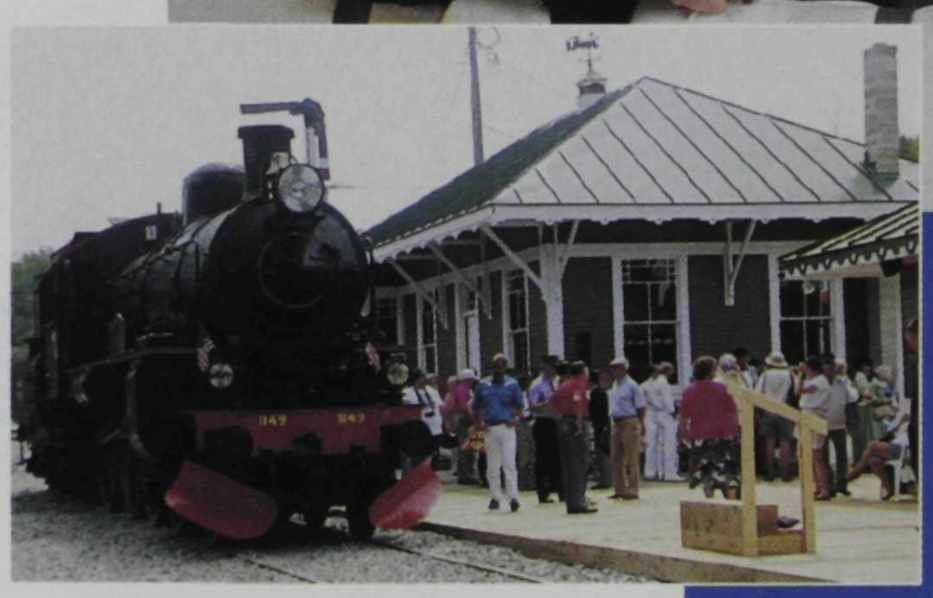
But reviving the railroad took some fancy footwork. By the winter of 1992, despite a passenger count that had jumped from the city's record of 3,500 to more than 16,000, there still wasn't enough cash flow to keep the line afloat. Rodrigue persuaded the state to buy the corridor—the track and the land under the line—and lease it back to the B&ML. This meant help from the state in preserving and repairing the line. The passenger count grew to 24,000, but still the B&ML wasn't profitable.

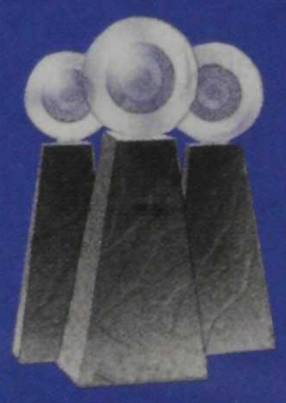
Rodrigue found two new backers, and now co-owners, in Bert Clifford, a retired Unity businessman, and Lynn Hall, an Islesboro stockbroker.

For one of the line's regular excursions, they imported a perfectly preserved coal-fired steam locomotive, along with dining cars and European-style passenger cars, from Sweden. A second excursion, a diesel run from Belfast's waterfront, includes a "train robbery" staged by the "Waldo Station Gang," named after Waldo County,



PHOTO: © DEAN ABRAMSON





The Belfast & Moosehead Lake Railroad in Maine has been picking up steam since Rod Rodrigue and investors took it over and began running tourist excursions, including one featuring "train robbers" like Bill Lynch.

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where the line is located.

A "rail-and-sail" package was added, complete with cruises on Penobscot Bay on a Mississippi-style riverboat. A new period-style headquarters was built in Unity, and open-air cars were added to the line.

Revenues were $750,000 in 1995, twice what they were the year before. And Rodrigue expects to at least break even this year and turn a profit in 1997.

Meanwhile, he employs 46 people during B&ML's May-to-October season, and more than 50,000 passengers bring their tourist dollars to Waldo County.

And Rodrigue, B&ML's president, is having one good time. After all, he asks, "how many people do you know that have their own little railroad?"

Dogged Pursuit

Barry Potekin remembers an exercise that a psychologist friend put him through when Potekin was down and out. The psychologist made Potekin stand with hands on hips and turn at the waist until he was looking backward while the lower part of his body was turned forward. Then he ordered Potekin to walk across the room.

"How does that feel?" he asked Potekin.

"I think I'm going to fall down and hurt myself," Potekin recalls answering. But the exercise made him see that that's what he was doing in real life: trying to move forward while looking backward.

"That's one of the things that made my life start falling back in place," says Potekin (pronounced POT-uh-kin).

When he looked backward, he saw the downfall of an extremely successful young man. Before he was 30 years old, he had made a fortune in real estate and trading commodities. "I really thought it would last forever," he says. But in 1979, when he was converting apartment buildings into condominiums and investing in gold and silver, the condo and precious-metals markets collapsed simultaneously.

By 1981, says Potekin, "I was bankrupt." So were his parents, Irv and Thelma Potekin, who had given him their life savings to invest.

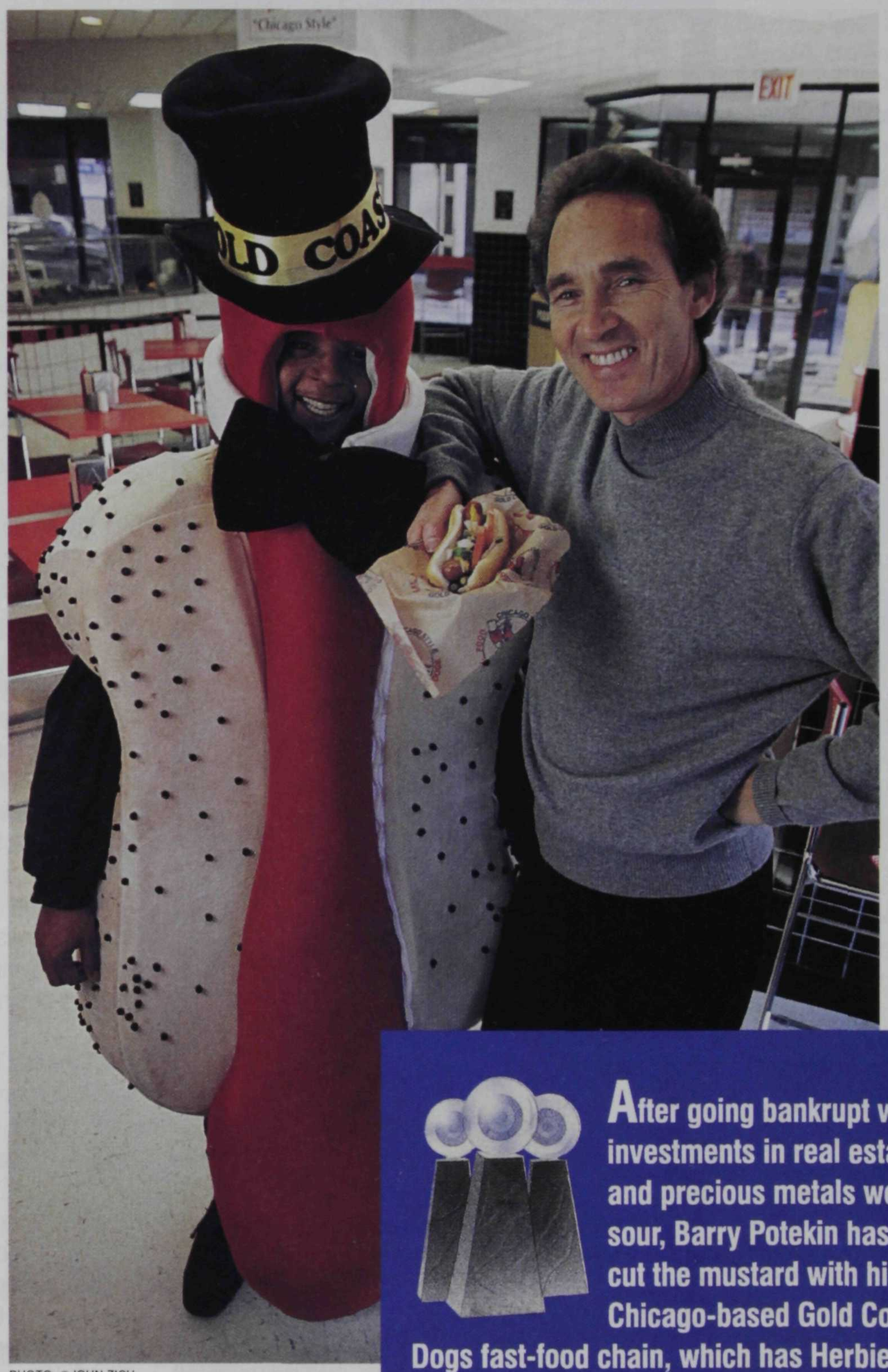


PHOTO: ©JOHN ZICH

After going bankrupt when investments in real estate and precious metals went sour, Barry Potekin has cut the mustard with his Chicago-based Gold Coast Dogs fast-food chain, which has Herbie Dodson on hand to help in promotions.

But Irv Potekin never lost faith in his son. One day at breakfast they found they had only 80 cents between them—"our combined net worth," says Barry. They split a toasted bagel and a cup of coffee. Barry found himself giving his dad a pep talk and vowing they would make a comeback.

Out of that determination came Gold Coast Dogs, a highly lauded hot-dog chain named for an expensive area of Chicago. "I saw a spot in the market that nobody was in—upscale, high-quality fast food," says Potekin, 50. "My burgers would be fresh-ground daily. I would hand-cut my fresh potatoes. I would serve fresh, not frozen, swordfish and chicken sandwiches. I would ship in cheese from Wisconsin. I would use white albacore tuna in the tuna salad. And I would serve authentic Chicago-style hot dogs." (Condiments include a bun-length pickle, onions, tomatoes, relish, mustard, and celery salt.)

Using money borrowed from friends, Potekin had the first Gold Coast Dogs built and about to open by January 1985. "One last problem remained," he recalls. "There was only $9 in the checking account and no money for food." He made a list of 15 people and asked each of them for $10—and got it. On the afternoon of opening day, almost out of food, he took money from the cash register to go out and get more. "That first week, I was buying food twice a day," he says. "We just missed going broke."

To get customers, Potekin each day picked a different company and sent it 50 or so free sandwiches. He would hop into a cab and, while riding, tell the driver about Gold Coast Dogs. "Then I'd tip him $5 and tell him the tip was for him to come in and try the food." Many of his firm's customers today are cab drivers.

When he learned that Nathan's, a popular New York City hot-dog chain, planned to move into the Chicago market, he created a funny "Hot Dog Wars" campaign that generated national publicity.

Potekin lost two early partners—his brother, Fred, who started a second store but left to pursue other interests, and his father, who died four years ago.

But that hasn't stopped Gold Coast Dogs. Revenues last year were $7.5 million, up from $6 million in 1994. There are three company-owned stores and 18 franchises—including some in such nontraditional sites as DePaul University and the corporate headquarters of Sears, Roebuck and Co., Ameritech Corp., and Montgomery Ward. Potekin is making deals right and left for franchises in other locations; he thinks 100 are achievable within a couple of years.

The future? Besides franchise growth, he



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says, "my dream is to take the company public."

Reflecting on his early failure, he says, "I made a lot of money, and I became arrogant and cocky." And when you're arrogant and cocky, he continues, "you have a tendency to take your eye off the ball. You don't see the obvious." He won't make that mistake again.

Sweet Taste Of Success

If you've ever been to an elegant banquet where dessert consisted of mousse or ice cream or berries served in a delicate chocolate shell, chances are you've tasted one of the delicious products made by Rena and Richard Pocrass.

Their California-based company, Chocolates à la Carte, produces creations ranging from festive Valentine's Day suckers to chocolate novelties topped with the logos of such corporate clients as Sprint, Ford Motor Co., and IBM. They've made chocolate saxophones for a dinner for President Clinton and chocolate sunglasses for an event honoring actor Jack Nicholson.

Mostly, they create desserts that some of the nation's top chefs pass off as their own, or they create elements that chefs use in their own desserts—like white or dark or marbleized chocolate shells in shapes such as cups, tulips, swans, magnolia leaves, and seashells. The company's 4,500 customers include hotels, resorts, country clubs, airlines, cruise ships, and premier restaurants.

A former chocolate-shop owner, Rena Pocrass, 50, started the business in 1986 with one product in a seashell-like design. She had great contacts from her retail experience, and business took off immediately.

Rick, 56, had his own executive-search firm, but he saw that Rena's business had greater potential, and he and his wife became partners. "What I saw is if Rena called on 10 chefs, every single one saw her," says Rick. "No one ever refused to let her in the door to show her product."

Perhaps things were going just too smoothly for Chocolates à la Carte. That changed on Jan. 17, 1994, when the Los Angeles area suffered a devastating earthquake. The epicenter, at Northridge, was just about five miles from the company's location in Sylmar. Ceilings fell in, interior walls split apart, and products, computers, and shipping materials were thrown to the floor. A major piece of equipment was crushed when the next-door tenant's storage racks hurtled through a wall.

The Pocrasses had no insurance or cash reserves to rely on. But "to fail was unacceptable," says Rena. The jobs of 45 employees depended on the success of the business.

The most immediate challenge was to "minimize to our customers the severity of our damage," says Rena. The products are sold with the understanding that each chef will claim they were made totally in his or her kitchen. "For a chef in New York to tell an affair that their dessert finale was canceled because of the earthquake in California would destroy that image."

Long-range challenges included repairing the building and replacing damaged equipment without a source of capital. Employees sprang into action. Customers were contacted and assured that shipments would be made on schedule. A power generator obtained by the company's subcontractor, an Orange County confection firm named Van Der Meer, made the phone system and computers operational by the second day. Production was moved to Van Der Meer (which has since merged with Chocolates à la Carte).

To promote sales, a letter was sent to a mailing list of 17,000, affirming the company's readiness to ship products despite earthquake damage.

Longer-range efforts included arranging with suppliers to stretch out terms of payment and securing a $155,000, 10-year, low-interest disaster loan from the U.S. Small Business Administration to purchase equipment.

"Because of the earthquake, we are actually healthier," says Rena. Sales increased 27 percent in 1994. The company entered into an agreement with a French chocolatier, Valrhona, to integrate Valrhona's chocolates into Chocolates à la Carte's holiday designs.

And the Pocrasses say they received "letter after letter and many phone calls from grateful customers for not letting them down." The goodwill they won, they say, is "unmeasurable."

When disaster strikes, says Rick, you have to keep a cool head, think things through, and take action.

You can't go into a "victim mode," adds Rena. "Put one foot in front of the other, and you will come out of it." NB

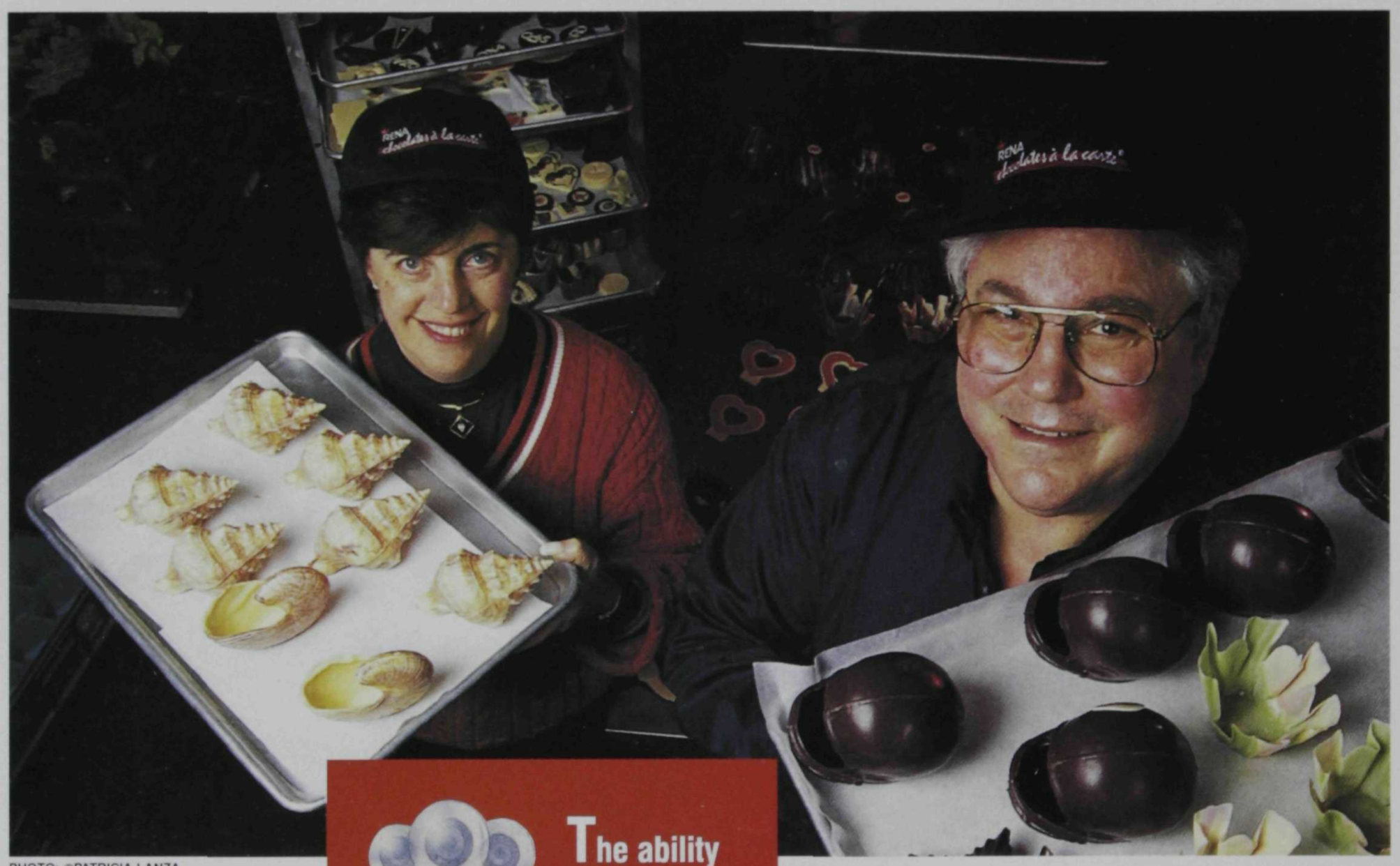
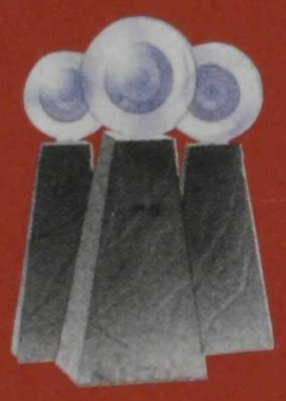


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The ability to respond to challenges presented by the 1994 earthquake in the Los Angeles area has given Chocolates à la Carte owners Rena and Richard Pocrass their just deserts.

How to choose a charity to invest with

When you plan your giving to a charity, you can get more than just the satisfaction of supporting a cause you believe in. You can actually gain some financial benefit for yourself. But choosing the right charity is crucial. You want a charity whose work matches your commitment to making the world a better place to live. You want a charity with smart professionals experienced in the world of financial and retirement planning. And you want a variety of philanthropic plans to choose from.

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TECHNOLOGY

The Lowdown On High Tech

Keeping up with the latest office products can make the difference between success and failure for small businesses. Here's what's on the cutting edge.

By Jon Pepper and Albert G. Holzinger



PHOTO:©LINDA SUE SCOTT

The high-tech office tools *that Karen Mann uses in her home-appraisal business help the firm stay effective—and profitable.*

In 1980, Karen Mann started a home-appraisal company, Mann & Associates, in Fremont, Calif. Her home doubled as the two-person firm's headquarters.

By 1989, the company had grown to 20 employees, many more than her home could accommodate. Now the firm is down to six employees, is still housed in leased space, and is thriving at the new, lean size, she says.

Mann, the firm's president, credits technology for the company's ability to grow and shrink rapidly without compromising customer service.

"Without all of the high-tech office tools I use, we certainly wouldn't be as effective—or as profitable—as we are now," she says.

For example, part of the business involves preparing appraisal reports for prospective lenders, usually in triplicate. The conventional way of documenting these reports consists of taking extensive interior and exterior photographs of properties, having the film developed at a photo lab, selecting representative prints, and having the lab make enlargements.

The cutting-edge way of accomplishing this task, now used by Mann and her employees, involves making the photographs with a Canon digital camera, downloading the resulting digital images into a computer, and printing selected shots on a Hewlett-Packard color inkjet printer.

"The film, time, and 'soft' costs involved [in the conventional method] were huge," says Mann. She estimates the savings from doing things the new, digital way at $2,000 to $4,000 a month, enough to recover the purchase price of the required equipment in short order.

In addition, she says, "many of the larger lenders we work with like us to have the digital capability. I actually transmit reports to several lenders completely by modem at this point."

Could Mann's entrepreneurial efforts have been as successful without technology? No way, she says. Small-business people "either have to keep up with the office technology or be out of business."

Your needs may be sharply different from Mann's, however, and this special report is designed to help you identify equipment that can help you meet them. The report, divided into five sections, briefly describes several of the best products for small businesses:

- The Power Office focuses on workhorse desktop computers.
- The Mobile Office covers no-compromise portable computers.
- Office Imaging centers on devices aimed at getting office work onto paper.
- Office Communications describes products geared toward effective interaction with the outside world.
- Finishing Touches deals with miscellaneous helpful items.

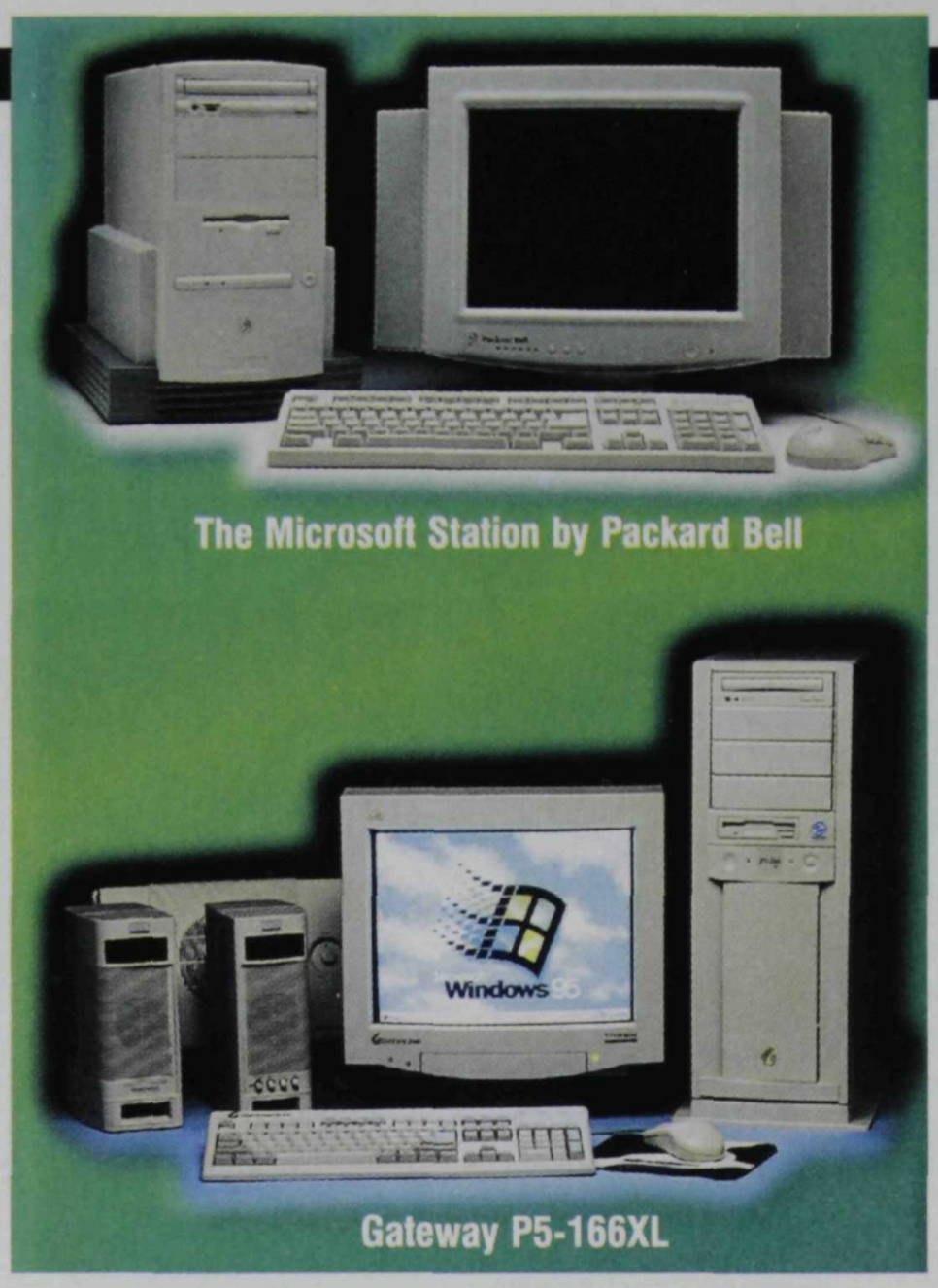
The Power Office

A basic tool for almost every successful entrepreneur is a desktop computer that can handle a variety of tasks—including some not generally associated with a PC. This means a PC that is as adroit at processing incoming voice mail and outgoing Internet electronic mail as it is at making internal network connections and doing word processing. These are among the leading desktops:

Dell Optiplex GX 5166MT, Dell Computer Corp., 1-800-873-1190: Dell has earned an excellent reputation for its reliable, competitively priced business computer systems. From that tradition comes the Optiplex line, which is affordable and easy to upgrade. Features integrated in each system's motherboard include first-rate sound and video "cards" and an industry-standard 3Com EtherLink III network adapter. The GX 5166MT model, featuring a lightning-fast 166-megahertz (Mhz) Pentium processor,

includes 16 megabytes (MB) of random-access memory (RAM) for efficiently handling Microsoft Corp.'s Windows 95 operating system, a 2-gigabyte (GB) hard drive for abundant graphics and file storage, an easy-on-the-eyes 17-inch monitor, and a three-year warranty. This is an excellent choice for networked offices. The price direct from Dell is $3,899.

Digital Celebris XL, Digital Equipment Corp., 1-800-642-4532: The Celebris XL, a solidly made, high-performance PC, features a 64-bit video card for excellent graphics display, a high-capacity power supply to accommodate the addition of external hard drives and other devices, a sturdy, all-steel case, and a three-year warranty. Our evaluation unit, which featured a 133Mhz Pentium processor and a 1GB hard drive, delivered robust performance. Systems, sold direct from Digital, range in price from $3,909 for a 120Mhz Pentium model to $4,179 for a 133Mhz Pentium.



Gateway P5-166XL, Gateway 2000, 1-800-846-2000: Gateway's P5-166XL represents the intelligent blending of a power processor with excellent supporting components and value pricing. Our evaluation system featured a sizzling 166Mhz Pentium processor, 32MB of EDO RAM (extended data out memory, a technology that boosts overall performance), a 2GB hard drive, a very fast six-speed (6X) CD-ROM (compact disc, read-only memory) drive, and a superb sound system. It came outfitted with Windows 95 and Microsoft Office Professional (the market-leading package of word-processing, spreadsheet, presentation-graphics, and database programs), and a 17-inch Gateway monitor featuring a crisp Sony Trinitron picture tube. Nicely outfitted and suitable for any type of office task, the 166XL is one of the best machines we've tested. The direct-mail price with 16MB of EDO RAM and a three-year warranty is $3,799.

The Microsoft Station by Packard Bell, Packard Bell, 1-800-733-5858: Packard Bell, known mostly for its family PCs, and software behemoth Microsoft have teamed to produce a killer computer for home offices. The hardware—a 133Mhz Pentium processor, 16MB of RAM, a quad-speed (4X) CD-ROM drive, a high-quality sound card and excellent (though hard to install) speakers, a fax modem with voice-mail capability, and a crisp, 15-inch monitor—performed well during our extensive evaluation. Other noteworthy hardware devices on this model include a Microsoft Natural keyboard, mouse, and joystick. What distinguishes this PC from others is its 30 installed Microsoft software programs—including Windows 95, Office 95, Publisher 95 (a great desktop-publishing program), reference works such as Encarta 96 (a multimedia encyclopedia), Bookshelf 95, and the AutoMap road and street atlases. (Several Microsoft game and educational programs also are included.) The estimated price at retail outlets is $3,499.

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The Mobile Office

Where does the office computing end and mobile computing begin? Today, that question is almost moot. State-of-the-art notebook PCs are virtually indistinguishable in capability from high-end desktop computers, with most portables now featuring high-speed processors and internal modems, excellent displays, and sophisticated but easy-to-use software.

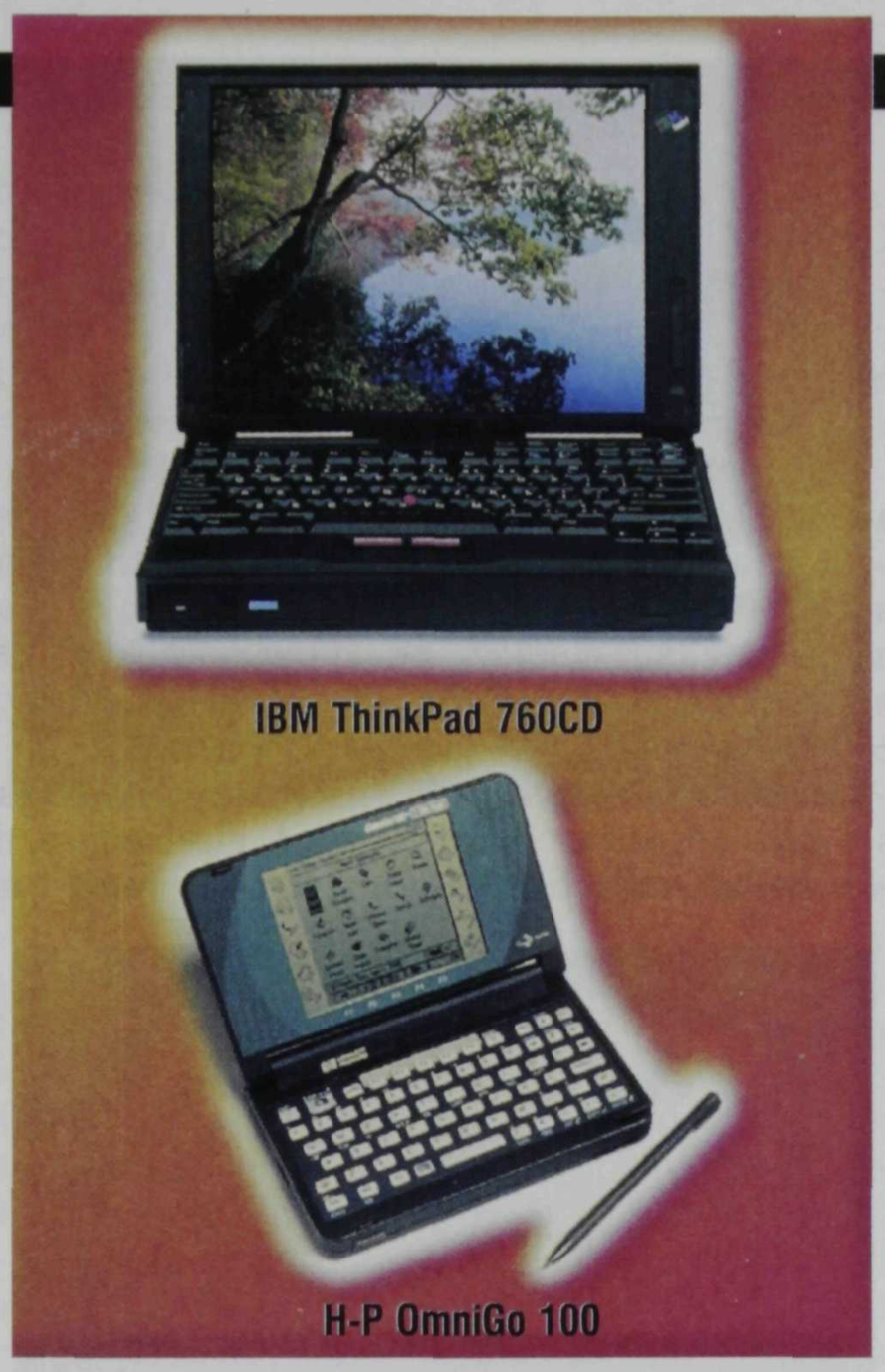
Here are some noteworthy devices for mobile computing:

Apple PowerBook 5300 Series, Apple Computer Corp., 1-800-538-9696: Apple's top-of-the-line PowerBooks have much to recommend them, including Motorola Inc.'s powerful PowerPC chip, up to a

1.2GB hard drive, and a removable floppy drive. The systems also include excellent 16-bit stereo sound, an infrared port for cable-free printing and file transfer, and a LocalTalk port for easy network connection.

There are some limitations, however. At 10.4 inches, the PowerBook screen is somewhat smaller than the latest displays from many competing manufacturers, and the battery life is noticeably short. Still, at retail prices of $2,000 to $6,000, depending on configuration, the PowerBook 5300 line is the best available for running Mac applications on the road.

Gateway Solo S5-120XL, Gateway 2000, 1-800-424-1389: How far have IBM-compatible notebook computers advanced? For the answer, take a look at the Gateway Solo, which is more power-packed than many desktop systems. The top-of-the-line model S5-120XL features a 120Mhz Pentium processor, 40MB of RAM, a 1.2GB hard drive, a crisp, 10.4-inch active-matrix display (the best display technology available), integrated sound capability delivered through two mini-speakers, a fast fax modem, and an internal port that accepts either a 2X CD-ROM or a 3.5-inch floppy-disk drive (both are included). Throw in, as Gateway does, Windows 95 and Microsoft Office Professional, a microphone and headphones, a long-life battery, and a leather carrying case and you have a computer that can do just about anything, anywhere. The price direct from Gateway is $5,699.



IBM ThinkPad 760CD, IBM Personal Computer Co., 1-800-426-7161: If you demand a no-compromise notebook PC with a Pentium processor, CD-ROM drive, large display, stereo sound, and more, the IBM ThinkPad 760CD could be for you. Its distinguishing features include an expansive, 12.1-inch active-matrix color screen; a 4X CD-ROM drive; a 90Mhz or 120Mhz Pentium processor; and up to a 1.2GB hard drive. IBM is known for its advanced notebook designs, and this ThinkPad is no exception. For instance, you can lift up the keyboard and store a spare battery, hard drive, or other accessory inside. This system is well-made, easy to use, and reliable. Retail prices range from $4,249 to $6,899, depending on configuration.

Panasonic V41 Mark III, Panasonic Communications & Systems Co., 1-800-662-3537: The Panasonic V41 Mark III also has all the right stuff for your mobile office. Powered by a 120Mhz Pentium processor, the system features an innovative design with a 4X CD-ROM drive under the keyboard, which lifts for easy access. Another plus is the large, 12.1-inch active-matrix color screen. Equipped with a jumbo 1.35GB hard drive and 16MB of RAM, the V41 retails for $7,599.

Sharp PC-3060, Sharp Electronics Corp., 1-800-237-4277: Sharp's PC-3060 delivers ample computing power and some extra features that make it an appealing mobile office for small-business people on a tight budget. Powered by a 100Mhz Cyrix 5x86 processor, the PC-3060 features 8MB of RAM, a 500MB hard drive, a crisp, passive-matrix display, and advanced power management for extended battery life. The 6.3-pound system has an infrared port for wireless printing and data transfer, along with limited multimedia in the form of 16-bit sound delivered via two built-in speakers. A voice/data/fax modem is standard, as is a software suite including communications and utility programs. The retail price is about $2,500.

Texas Instruments Extensa 550CD, Texas Instruments Inc., 1-800-848-3927: The Extensa line combines solid performance and features with value pricing, resulting in worthwhile yet affordable mobile offices. The Extensa 550CD, for instance, is powered by a

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75Mhz Pentium processor, 8MB of RAM, a 525MB hard drive, and an internal 4X CD-ROM drive. With a 10.4-inch passive-matrix display, the system retails for about $2,799. An extra $800 buys the same system with an active-matrix screen.

Toshiba Tecra 700, Toshiba America Information Systems Inc., 1-800-334-3445: Toshiba's Tecra line, based on a 120Mhz Pentium processor, features such niceties as an 11.3-inch active-matrix display, 16-bit stereo sound, and a slot that accommodates a floppy or 4X CD-ROM drive. (You can connect both drives simultaneously via an external connection.) The model 700CT, with 16MB of RAM, a 1.2GB hard drive, active-matrix color screen, and lots of loaded software, retails for about $5,800. The CD-ROM drive is $489 more.

H-P OmniGo 100, Hewlett-Packard Co., 1-800-443-1254: The new OmniGo 100 personal digital assistant (PDA), with its 12Mhz processor, provides a middle ground between a full-function notebook computer and a pocket organizer that can only maintain an appointment calendar and a list of addresses and phone numbers.

The 3.8-by-6-by-1-inch OmniGo weighs just 11 ounces but has tons of functionality. Software bundled in the OmniGo's memory includes appointment, phone, and address books, a note pad, a rudimentary spreadsheet and database, a world-time clock, an industrial-strength calculator that includes financial-analysis tools, and several challenging games.

There are three ways to enter data: Transfer it from a PC via the serial interface and optional Connectivity Pack, peck it in on the OmniGo's miniature keyboard, or jot it down on the 3.5-inch liquid-crystal display with a stylus that stores in the OmniGo's case.

After an hour or two of practice, the user can make jottings with a stylus that the OmniGo can convert into "type" letters almost flawlessly. The screen is not backlit, however, and it can be difficult to read in low light. The retail price is about $349, plus $119.95 for the Connectivity Pack, which includes software and cables.

Office Imaging

The image your business presents to clients and associates depends in part on the quality of your printed materials. Fortunately for small-business owners, there now are many office copiers and printers that deliver professional-quality output at affordable prices. Also affordable and abundant are excellent input devices such as digital cameras and scanners. Among the leading models:

Konica 7050, Konica Business Machines, 1-800-456-6422: Konica's 7050 is an impressive, fully digital copier that can double as a printer for businesses that require high-quality output—and lots of it. The unit employs a dual-beam laser to provide first-class print quality at 50 pages per minute. Up to 50 networked users can keep the 7050 busy with originals in either hard-copy or electronic format. (Electronic "originals" are word and image files transmitted from a PC.) Copier output quality is 400 by 400 dots per inch (DPI), and the system features enough memory to store 70 letter-sized pages for sequential processing. High-end copier functions such as reduction and enlargement are included, along with the capability of inserting images in multipage jobs.



An optional unit, the IP-201, is a printer interface from Konica that increases output resolution to 600 by 600 dpi and helps the system sustain its maximum speed.

List price is $24,950 for the basic unit, and $10,000 more for the printer interface.

Minolta EP8010, Minolta Corp., (201) 825-4000: If your business needs a very-high-volume copier, the Minolta EP8010 could be right for you. This unit can churn out up to 81 copies per minute while tracking usage by up to 100 employees or departments. Other capabilities include stapling of up to 50-sheet copy sets and three-hole punching, all controlled via an easy-to-understand touch screen. With automatic paper selection, margin erase, and a 4,000-sheet paper capacity, the EP8010 can adroitly handle almost any type of job.

List price is $26,750, including an automatic duplexing (two-sided copying) document feeder and a 20-bin stapler/sorter.

Mita DC-1856, Mita Copystar, 1-800-222-6482: Busy small offices generally need a capable middle-range copier such as the Mita DC-1856. This compact machine, capable of 18 copies per minute, includes a photo mode, which produces image copies of exceptional fidelity, and a presentation mode, which enables production of transparencies and hard copies in a single operation. Extensive finishing options are available, including automatic document feeding and collating and stapling of up to 1,550 sheets without user intervention. The DC-1856 also features a Front and Back Cover mode for use in producing documents with cover pages different in color from interior pages.

This economical copier can produce up to 7,000 copies from a single toner cartridge and up to 40,000 copies per developer and drum. The list price is $3,995.

If your business needs an even more robust product, consider the Mita DC-6590. It turns out 65 pages per minute, and its unique Universal Document Handler can collate, staple, stack, and store document sets automatically via a robotic arm. Its list price is $24,995.

Canon BJC-4100, Canon Computer Systems Inc., 1-800-848-4123: Canon's BJC-4100 middle-of-the-line inkjet printer produces excellent-quality black text and nice-looking color at 720 by 360 dpi. The lightweight printer features excellent paper handling, an easy-to-use control panel, and high-speed output of up to five pages per minute in black. At retail prices recently reduced to about $350, the BJC-4100 is a great value for those who want nearly laser-class monochrome output and occasional color.

Epson Stylus Color Pro, Epson America Inc., 1-800-289-3776: Most moderately priced color inkjet printers do a creditable job of printing documents in

color but produce less than desirable color photographic images. But the Epson Stylus Color Pro features a 720-by-720-dpi mode that does a superb job reproducing photographs, even on plain paper. The printer works with either Windows PC or Macintosh systems. Extras include Adobe PostScript printing capability (PostScript is a printer language commonly used in producing graphics-intensive documents) and Pantone-color matching (Pantone colors are the printing industry's standards). The only negative is relatively slow printing speed, especially in the 720-dpi mode. The retail price is about $600.

H-P DeskJet 820Cse, Hewlett-Packard Co., 1-800-752-0900: H-P's Professional Series of color inkjet printers, which includes the 820Cse, sets new price/performance standards for small businesses. The 820 utilizes the new DeskJet Printing Performance Architecture, which allows H-P to tap the power of the PC attached to the printer for print-job processing. The result? Lower printer prices and faster throughput from application to printer. The top speed of the 820 is 6.5 pages per minute in black and four pages per minute in high-quality color. Perhaps most impressive of all, the 820 retails for just $379.

For those with Macs, H-P retails a comparable model 850 for $479.

Lexmark Optra E, Lexmark International Inc., 1-800-358-5835: The hottest new printers are "personal lasers," which are compact desktop models that match high-end lasers in output quality and flexibility but at much lower prices. One such printer is the Lexmark Optra E, which delivers true 600-by-600-dpi resolution at up to six pages per minute and is capable of churning out up to about 10,000 pages per month. Lexmark has kept features abundant but the cost modest—the Optra E is expected to retail for $549. For example, a full page of 600-dpi graphics can be printed with just the 1MB of printer memory that's standard on the Optra E, thanks to memory-utilization technology.

Other standard features include PC software for managing every aspect of printing, a 250-sheet paper tray, and a one-year warranty.

Okidata OL610e/PS, Okidata, 1-800-654-3282: The Okidata OL610e/PS combines plenty of high-end printing features, including a print speed of six pages per minute, and impressive 600-by-600-dpi output quality with a tiny footprint. The printer provides Adobe PostScript printing, loads of built-in fonts, Mac and Windows PC compatibility, and a maximum paper capacity of 450 sheets. The retail price is $949. Okidata also sells the OL810e/PS, a version that turns out eight pages per minute, for $1,439 retail.

The image your business presents to clients and associates depends in part on the quality of your printed materials.

Tektronix Phaser 550, Tektronix Inc., 1-800-835-6100: While color inkjet printing has exploded in popularity, color laser printers have yet to make a significant impact in the office market. The new Tektronix Phaser 550 may change that, however, with its high resolution, rapid throughput, and relatively easy maintenance. While other color laser printers can produce only 600-by-600-dpi documents, an upgraded version of the Phaser 550 can churn out noticeably clearer 1,200-by-1,200-dpi text and graphics output. Another plus for the 550 is its high-capacity toner cartridge, with more than double the capacity of competing products.

The basic model 550 retails for $6,995 and produces 14 pages per minute in black or five pages per minute in color at 600 by 600 dpi. An upgrade to 1,200 by 1,200 dpi at about half the standard print speeds costs $2,000.

Kodak DC50 Digital Camera, Eastman Kodak Co., 1-800-235-6325: Digital photography has a host of office applications, from getting photos into brochures and office newsletters cheaply and quickly to providing images that can be transmitted over the Internet. The highest-quality digital camera we've used is the Kodak DC50, which features a telephoto zoom lens and point-and-shoot simplicity. The camera stores between seven and 22 photos, depending on the image quality you select. Extra memory, which snaps in easily, can expand storage capacity greatly. A cable is provided for transferring photos from the camera to a Mac or Windows PC, and excellent software is

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included for viewing and editing the images. Retail prices are expected to be just under $1,000.

Ricoh RDC-1 Digital Camera, Ricoh Consumer Products Group, 1-800-225-1899: One of the most innovative office products we have seen is Ricoh's RDC-1, a digital camera—and much more. Weighing just 9 ounces, the billfold-size RDC-1 is comfortably carried in a shirt pocket, yet it has tremendous power. It can record not only digital images but also sound, still images with sound, and motion at 30 frames per second with or without sound. Easy to use, with a zoom lens and auto focus, the RDC-1 is worth a look despite its hefty $1,800 retail price.

H-P ScanJet 4C, Hewlett-Packard Co., 1-800-722-6538: Want to provide scanning and document management for your office with one machine? The Hewlett-Packard ScanJet 4C will do the trick. This desktop color/grayscale scanner provides high-quality documents at up to 2,400-by-2,400-dpi resolution. The 4C ships with nifty PaperPort 3.0 software from Visioneer, which permits grouping, filing, editing, faxing, and e-mailing of scanned documents from within conventional application software. In all, the 4C can handle anything from scanning photos for use in desktop publishing and presentations to general cleanup of the paper cluttering the office. The retail price is just under $1,000.

Delrina WinFax Scanner, Symantec Corp. Delrina Group, 1-800-268-6082: If you need a personal scanner rather than a work-group model, consider the WinFax Scanner. It combines a six-pages-per-minute desktop scanner by Fujitsu Computer Products with Xerox's optical character-recognition software (for converting scanned images into editable text form) and Delrina's top-rated WinFax PRO fax send/receive software. It measures 11.5 by 4.2 inches, has a 10-page automatic document feeder, and can be installed in less than a minute to a PC's parallel port. The software bundle, also quickly and easily installed, permits scanner documents to be cleaned up, edited with a word processor, and filed or faxed. This versatile product retails for less than $300.

Office Communications

It has never been easier to stay in touch with the outside world, whether by fax, cellular phone, or modem in a notebook PC. The difficulty comes in choosing among excellent competing products:

LapLink For Windows 95, Traveling Software Inc., 1-800-343-8080: Accessing files, e-mail, and other business resources while on the road or at home can be difficult—and frustrating. LapLink For Windows 95 can streamline the process, providing a host of ways to get connected to the office. When installed on a modem-equipped notebook computer or home-office PC, the program makes it easy to dial into an office-based desktop PC or network. With a single phone call, the remote user can run applications on a host PC, transfer files, access remote information, and even work on e-mail. The retail price is $149.



SkyTel 2-Way Pager

Muratec Imagemate MX

Motorola Tango/SkyTel 2-Way Pager, Skytel Corp., 1-800-759-9779: SkyTel's two-way paging unit, made by Motorola Inc., takes paging into an entirely new dimension. The unit measures 3.5 by 2.5 by 1 inches, weighs 5.5 ounces, is powered by a single AAA battery, and has all the functions of a traditional alphanumeric pager. What sets the device apart, however, is its ability to respond to pages. Several canned replies (Yes, No, Call Me, Running Late, On My Way, and others) are programmed into the unit; it's easy to select one and forward it to a page sender—no telephone is required. This adds immeasurably to the utility of the pager and is likely to make two-way paging an extremely popular choice. Another plus: You can send e-mail messages to the pager via SkyTel's site on the Internet's World Wide Web. Two-way paging costs about $25 a month for regional service, plus about $15 a month to lease the pager, from SkyTel at the toll-free number above.

Muratec Imagemate MX, Murata Business Systems Inc., (214) 403-3314: Fax machines may be more or less commodity items these days, but that doesn't mean vendors aren't trying hard to be innovative and to add value to their lines in an effort to make them more compelling buys. Take the Muratec Imagemate MX, for example. This is a plain-paper machine that uses a unique thermal-transfer technology called Film Imaging to make the price of each page received or copied a constant 5 to 7 cents, regardless of how much is printed on it. (With inkjet machines, the price varies depending on the amount of ink consumed; the more information on the page, the more ink is used.) Among the MX's features is the ability to connect to a PC for light-volume scanning and printing. The retail price is about $400.

Panasonic KX-TC930, Panasonic Communications & Systems Co., 1-800-922-0028: The KX-TC930 provides two features that are important to many small offices: two-line cordless-phone convenience and exceptional call clarity. The phone provides for three-way conference calls, has very low interference, and embodies a technology, called Sound Charger, that produces corded-phone voice quality. Other features include a lighted keypad, a speaker, and an intercom between the handset and its base. The phone retails for about $300 and comes in black or white.

Finishing Touches

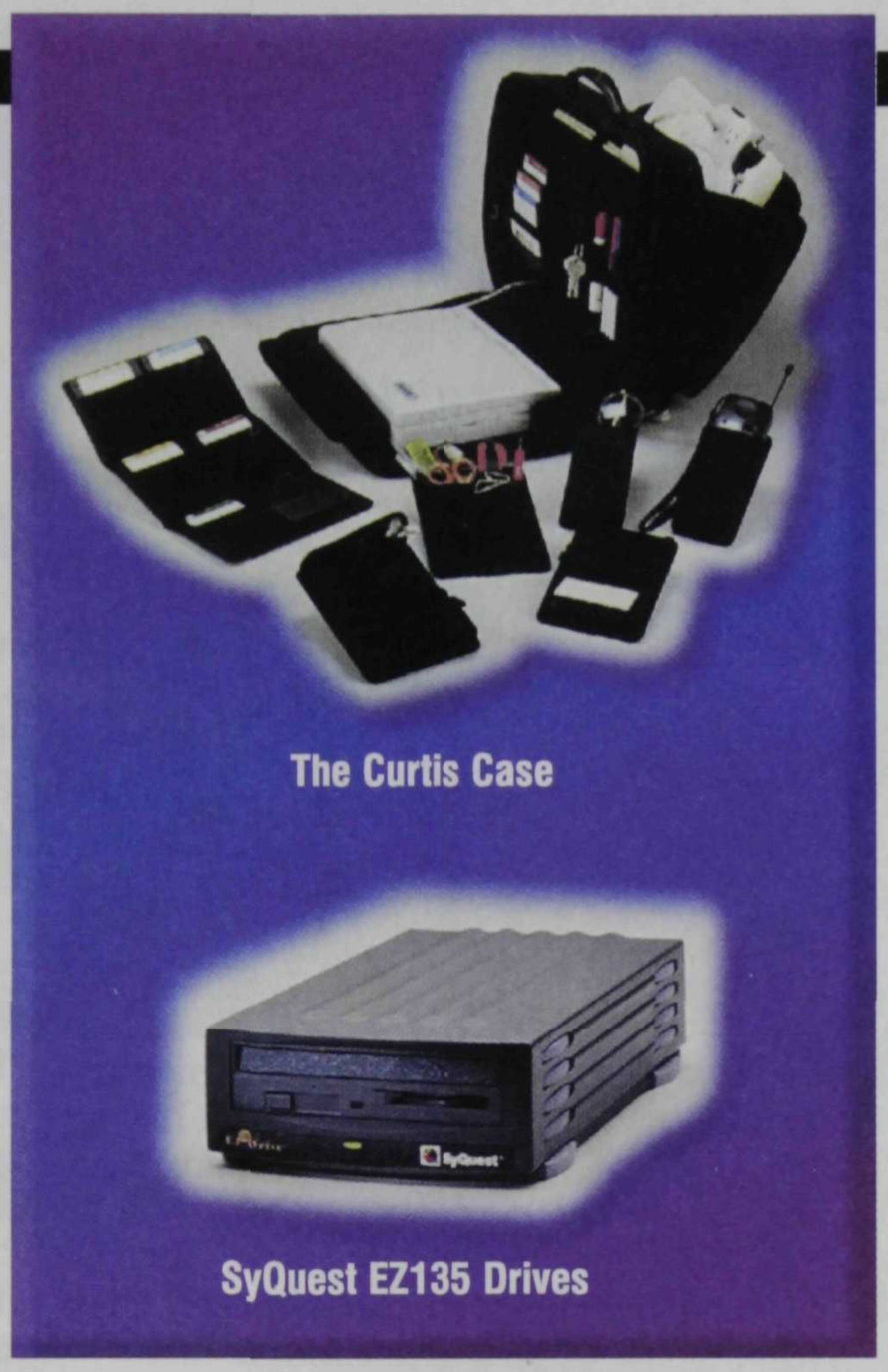
Once your business has all the equipment it needs, you'll be able to treat yourself to some of the stuff you want! Some of our favorite niceties are:

Calise, Hunt Manufacturing Co., 1-800-977-6662: Once you have purchased a perfect—and expensive—notebook computer, how should you carry it from your office to a remote site, the airport, or anywhere else? You can stuff it into a suitcase or briefcase, of course, but a quality case is your best bet. The Calise line of cases includes interior organizers for cellular phones, passports, notebooks, pens, and more. Foam padding provides

ample protection for your notebook PC. Products range from about $82 for a nylon case to $350 for an attache-style case in full-grain leather. The $100 leather Notebook Satchel case has the look and feel of an old-time legal briefcase.

The Curtis Case, Curtis by Rolodex, 1-800-955-9514: All portable-computer carrying bags are alike, right? Wrong. The Curtis Case is the first to include protection against electrical surges. Built-in wire ports let you connect cables right through the bag to the retractable surge protector. You can zip open the bag and use it as a workstation. This is a neater and easier solution than provided by most bags, along with the added plus of the internal surge protector. You also get nine separate accessories pockets that can be moved to different areas of the bag (they are Velcro-backed) for customization.

Available in either vinyl (at about $125) or leather ($150).



The Curtis Case

SyQuest EZ135 Drives

Powershred PS60, Fellowes Manufacturing Co., 1-800-945-4545: If you need to keep the contents of documents confidential after you are finished with them, consider buying a shredder such as the Powershred PS60 from Fellowes, which can shred up to eight sheets at a time into unreadable strips. Even papers with staples and paper clips can be run through this durable machine. The PS60 retails for $249.

The companion PS60CC, which retails for $279, adds cross-cut capability to reduce sheets into even smaller pieces for additional security.

Jet Print Ultra Paper, Hammermill Papers, 1-800-242-2148: Does the type of paper you use around the office make a difference? You bet. Inkjet printers, laser printers, and copy machines produce their best-looking output on paper designed specifically for their type of technology. For instance, Jet Print Ultra from Hammermill has a high brightness and opacity so colors from inkjet printers appear especially vibrant while black-text printing looks crisp and legible. Hammermill also offers paper for laser printers and color copiers. Prices are determined by individual retailers.

MultiSync M Monitors, NEC Technologies Inc., 1-800-632-4636: NEC's new M line of monitors represents the first quantum leap in monitor technology since NEC introduced the MultiSync a decade ago. The M line pioneers a technology that NEC calls CromaClear, which uses an elliptical-shaped phosphor dot, rather than the conventional round one, to dramatically improve color, focus, and contrast. Both 15-inch and 17-inch models are available, each with integrated speakers and microphone. Like all MultiSync monitors, the M models include many helpful features, including precise color adjustments and an easy-to-use on-screen control manager. The 15-inch M500 model will retail for about $600; the 17-inch M700 unit for about $900.

SyQuest EZ135 Drives, SyQuest Technology, 1-800-245-2278: No matter how large the hard drive in a PC, space inevitably becomes tight over time. And for users who routinely work with graphics files, the time can be short indeed. Among the several supplemental storage options on the market are the EZ135 drives from SyQuest Technology. They are lightning-fast, and they come in an internal model that connects via the existing hard-drive cable and in two external models, one that connects through the standard parallel port, another that requires installation of an SCSI (small computer systems interface) card in the PC.

The drives accept cartridges with a data-storage capacity of 135MB, and they retail for $200 to $250, depending on the model. The cartridges sell for about $20 each. NB

More on this later today.

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Family Business

A gender gap in ownership may be closing; the active shall inherit the firm.

OBSERVATIONS

A Coming Sea Change In Leadership



PHOTO: T. MICHAEL KEZA

By Sharon Nelton

It amazes me how little attention has been paid to the stunning new figures on women's business ownership in this country. According to the National Foundation for Women Business Owners, women now own 36 percent of all U.S. businesses and bring in annual revenues of $2.28 trillion. That's *trillion.* (See Dateline: Washington, on Page 7.)

Just a quarter of a century ago, women owned less than 5 percent of American businesses. This is a real sea change, and we can only begin to imagine what it will mean for family businesses.

Will it mean that, in due time, women will own one-third or more of all our family businesses? Probably. Right now, we don't know how many women own family businesses. We don't even know how many family firms there are because the U.S. Census Bureau does not track them. However, in a survey of 1,029 family-business owners and co-owners conducted by Massachusetts Mutual Life Insurance Co. last year, 16 percent of the respondents were women.

That study found that men in family businesses are still more likely to be the key decision makers. "The predominance of male leadership apparently will prevail for at least the next generation," the report said.

Even so, seeds of change are visible in the survey findings. While male owners were twice as likely as women owners to envision their sons assuming control of the business in the next generation, women were twice as likely as men to envision their daughters taking over.

What that suggests is that as today's 7.9 million women-owned businesses mature and the sons and daughters of the founders join their mothers' businesses, for the first time in history daughters may have a more-than-equal chance of beating out their brothers as successors to leadership and control.

Unfair? Reverse sexism? Perhaps. But we still don't know what those mother-founders will do. When faced with having to choose their successors, perhaps they will select the most able child, whether son or daughter. Or perhaps, as the MassMutual report also suggests, they will put sibling teams in charge.

Research shows that women's leadership styles are different from men's. For example, a 1994 study by the National Foundation for Women Business Owners found that women entrepreneurs were more likely than their male counterparts to seek the advice of others. And while men think in terms of hierarchy and establishing rules, women tend to think of professional relationships as networks.

Another study by the foundation shows differences between the benefits offered by women-owned firms and those of small businesses as a whole. Women's firms, for example, were more likely to offer flex-time, paid personal and sick leave, and tuition reimbursement, and they were less likely to provide medical and retirement benefits.

Many women business owners also believe that their perceptions of success are different from those of their male counterparts. For example, a woman entrepreneur once told me that she didn't want her success to be measured in terms of the size of her company. Success for her meant "delivering a very high-quality product to my client, feeling great about it, watching the client reap the rewards of it, and also having a personal lifestyle that I enjoy."

As more women lead family-owned companies, we could well see some shifts in the definitions of what it means for family firms to be successful.

It will be fascinating to watch women's businesses turn into family businesses in massive numbers and to see how they differ from today's family firms. As an old song goes, there'll be some changes made. We just don't know what they'll be. ■

MARK YOUR CALENDAR

April 18, Randolph, Mass.

"Family Meetings: The Whys and Wherefores" is offered by the Northeastern University Center for Family Business. Call Paul I. Karofsky at (617) 320-8015.

April 18, Philadelphia

"Disciplined Nepotism" is a breakfast forum featuring members of a family business. Call Henry Landes of the Delaware Valley Family Business Center at 1-800-296-3832.

April 24, West Springfield, Mass.

"Individual Personality Styles: Their Impact on Leadership Effectiveness and Interpersonal Relationships in a Family Business" is a seminar of the University of Massachusetts Family Business Center. Call the center's director, Ira Bryck, at (413) 545-1537.

April 25, New Orleans

"Long-term Succession Planning: When? Who? How? (Why?!?)" is a forum offered by the Tulane University Family Business Center. Call (504) 865-5306 or (504) 862-8482.

April 30, Salem, Ore.

"Family Business Boosters" is a breakfast seminar with nationally known consultant John L. Ward. Call the Austin Family Business Program at Oregon State University at (541) 737-3326.

May 3, Southfield, Mich.

"Family Business Valuation and Compensation" is a topic of the Family Business Council meeting. Contact Rick Segal at (810) 353-5600.

May 3, Parkersburg, W.Va.

"There Is Life After Business" is a one-day seminar sponsored by the local Rotary Club and conducted by Richard L. Haid, a professional "adult mentor." Call Priscilla Leavitt at (304) 422-7300.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

FAMILY BUSINESS

Case Study: Equal Vs. Equitable

"Originally, Dad gave equal shares of the business to my brothers and me," says Ann Bradshaw-Harper, 62, "and now my family and I are paying the consequences."

Ann's father, Will, expected his older son, Jack, to succeed him as president of Bradshaw Garage Door Co. When it came time for Will to retire, however, first Jack and then his brother, Dick, both of whom had jobs in other cities, refused Will's invitation to rejoin the firm. They had bitter memories of working during summer vacations for their demanding father.

Although Will often looked to Ann for support, it never occurred to him to consider her as his successor. Instead, he persuaded Ann's husband, Jim, to become president.

Over the next 30 years, Jim built an even more successful company. Before his death, Will rewarded Ann and Jim with additional shares of the business, giving them controlling interest while Jack and Dick continued as minority absentee owners.

Two years ago, Jim retired and named his and Ann's son, Peter, as his successor. The company has done well so far under Peter, and now Ann and Jim plan to transfer a portion of their shares to him. Jack and Dick are protesting, however. "Peter doesn't have that much experience," says Jack. "Dick and I feel like our interest in the business is in jeopardy."

Says Ann: "Most professionals advise business owners about the dangers of giving stock equally to all children regardless of their involvement in the business. But what do you do when a founder at first gives equal shares to each child but later gives additional shares to one who is active in the business? How can we help Peter continue to have a fair chance to succeed and resolve the issues with my brothers?"



ILLUSTRATION: TROY THOMAS

Response 1

Time Has Altered The Circumstances

Jim, Ann, and Peter have earned the full benefits of Will's legacy. If Jack and Dick believe their birthright is threatened by Peter's assuming the chief executive's position, they are simply 30 years too late.

As siblings, Ann, Jack, and Dick share an emotional reality that is frozen in time. Because of their long involvement in the company, Ann and Jim have won the right to name Peter as the third-generation leader of the Bradshaw business. Peter has proven he can be successful in this position, and he will have a fair chance at further success if he is not saddled with absentee owners.



PHOTO: ©TIM MUELLER

Peter Baudoin, a family-business consultant in Lafayette, La.

To promote peaceful co-existence among family members, Jack and Dick should have the option of converting the fair market value of their shares into cash, through a stock redemption. This would allow them to sever their ties to a business that, over the past three decades, has evolved from the Will Bradshaw family business to Ann and Jim's family business.

To facilitate the stock redemption, the company could obtain bank financing to enable it to purchase the shares owned by Jack and Dick. Or the brothers could take notes for the value of their shares, payable periodically over a reasonable period at a market rate of interest.

Wanting to be fair, Will initially gave equal shares to his three children without first determining whether they would be active in the business. He partially corrected the action, however, by giving controlling interest to Ann and Jim before he died.

Response 2

Brothers Are Still In The Minority

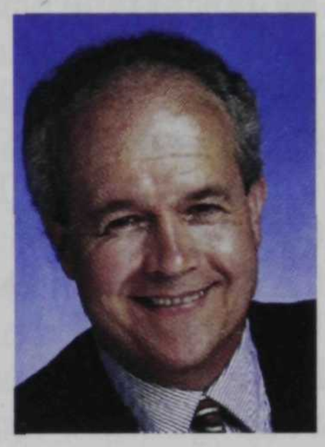
Many sons and daughters choose not to work in the family business because of early negative experiences. Desire can be curbed by parents' dinner-table complaints about a business or by the difficulty of working with an authoritarian parent.

Jack and Dick chose not to join the business. Ann's family, as a result, has attained both leadership and dominant ownership, to her brothers' increasing distress.

Ann's concern about family harmony is an example of the sound judgment and generosity of spirit that Will saw in her—traits worthwhile and necessary in family firms.

While minority stockholders do have significant rights, they are nonetheless in the minority. Ann, Jim, and Peter control the company. There is nothing to indicate involvement by anyone in Jack's or Dick's families.

Ann is correct. Owners are well-advised to distribute stock equitably, not equally, to their heirs. It seems that her father eventually did this by conveying control to her family, the successors.



Robert P. Caldwell, president of Family Firm Resources, Inc., a family-business consulting firm in Asheville, N.C.

The brothers should request establishment of binding guidelines on the distribution of future profits to minority owners. A policy should also be established to determine how and if any of the brothers' heirs can enter the business.

Or the brothers could agree on a long-term buyout of their shares, from profits of the majority stockholders.

Direct and clear communication during this stage is needed to ensure that the family does not fall apart over this sensitive issue.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

ECONOMIC DEVELOPMENT

Base Closings: The Last Roundup

Scores of communities must cope with the latest military cutbacks. Small businesses can play a significant role in helping them adjust.

By Michael Barrier



PHOTO: LAURENCE L. LEVIN

Two key players *in the "realignment" of Letterkenny Army Depot are banker Robert G. Zullinger, right, and base transition coordinator Garry E. Gontz.*

It may have been the worst thing to happen to Chambersburg, Pa., since 1864, when the Confederate army burned the place down—a fate suffered by no other Northern town during the Civil War. This time, at least, Chambersburg had plenty of company.

Last summer, President Clinton reluctantly accepted the recommendation of the fourth and final Defense Base Closure and Realignment Commission that 79 military installations around the country be closed. Since the first round of closings, in 1988, about 100 major military installations have been closed or designated for closing, along with 350 minor installations.

The 1995 recommendation called for 26 more installations to be "realigned"—in effect, downsized. The most recent closings and realignments are expected to cost 94,000 civilian jobs as they are completed over the next few years.

The commission's final recommendation took effect Sept. 28, when Congress failed to overturn it. The president and Congress could only accept or reject—not modify—the commission's recommendations within a period set by statute.

Chambersburg was among the communities hit with a realignment. A city of around 17,000 in south-central Pennsylvania, it is home to the Letterkenny Army Depot, a World War II-vintage ammunition-storage and weapons-maintenance facility that has a civilian work force of more than 3,000. Letterkenny has been the largest employer in Franklin County.

(Letterkenny has fewer than 50 military personnel—an unusually small number. The direct military contribution to a local economy is typically limited, however, because so much activity and spending are confined to the base.)

The realignment, which will leave Letterkenny with its storage function, will cut the civilian work force by more than two-thirds.

Chambersburg and its fellow fourth-round victims are fortunate in one way, though. Since the base-closing process began in 1988, the Pentagon has become much better at minimizing the adverse impact of closings and realignments by streamlining the process of opening a closed base to development.

"Communities that are recently on the list are going to benefit from the labor pains" that other communities have experienced, says Paul E. Taibl, director of economic-security programs for Business Executives for National Security, a Washington, D.C.-based group that promotes better management of defense dollars.

As the Defense Department helps communities adjust to base closings, says Tom Shea, a project manager in the Pentagon's Office of Economic Adjustment (OEA), "small-business development plays a key role—because that's where the jobs are created, through small-business formation."

The adjustment efforts aren't necessarily weighted toward small business—"We don't tell [communities] what to do, at all," Shea says—but experience so far suggests that a community that works toward a redevelopment mix of small and large companies can wind up economically healthier than it was before a base closed.

"We haven't gone backwards," says Mayor Katy Podagrosi of Rantoul, Ill. The city of about 17,000 not only survived the closing of Chanute Air Force Base (as detailed in "New Mission," November 1994) but is prospering, partly because small companies have gotten involved in the facility's redevelopment.

Chanute's closing was announced in 1988, and the base closed as a military installation five years later. Rantoul lost 1,035 civilian jobs in the closing, but new jobs began to replace them as the base wrapped up its business. The city has added roughly 1,200 jobs on the former base properties and 1,300 more off the base. "We recovered within 18 to 24 months," says Ray Boudreaux, Rantoul's director of aviation and re-use development.

More than 50 businesses—ranging in size from up to 400 employees down to small firms with just one or two employees—have moved onto the former base.

Communities might consider seeking out small businesses as essentially transitional tenants in the early stages of a base's redevelopment, says Brian O'Connell, executive director of the Alexandria, Va.-based National Association of Installation Developers, which works with investors and community groups in finding new uses for former military property.

Small-business incubators—buildings that house a cluster of start-ups that share services—are another sensible use of former military facilities, says Shea. He sees Letterkenny as a prime possibility for an incubator site.

What might seem to be a plus for towns like Chambersburg—that their bases, unlike Rantoul's, will be realigned rather than closed—can actually be a mixed

blessing. Robert G. Zullinger, retiring chairman of F&M Trust Co., a Chambersburg bank, and head of the county government's committee on base re-use, suggests that a realignment can be harder to deal with than an outright closing when, as at Letterkenny, military operations continue on part of the facility. Ammunition will still be stored on about 13,000 of Letterkenny's more than 19,000 acres; about 6,000 acres will be available for development.

The dividing line will not be quite as firm as it might sound, though. For one thing, most of the ammunition moves in and out by rail, and as Zullinger says, "if we're going to attract businesses that need rail service, we're going to have to use those same rail lines." There may be sharing of utilities, too.

Everything depends on exactly what property the Army decides to give up, and that decision wasn't scheduled to be made until late in March. After that, Zullinger's committee can offer some alternative suggestions as it works toward drawing up a re-use plan.

Despite the complications, "I think there will be a relatively smooth transition," Zullinger says. "I believe the mechanisms are in place."

As is typical for closings and realignments, Letterkenny's downsizing will take place over several years, not all at once. The workers losing their jobs won't lose them in one fell swoop. That will help, and so will the community's attitude, Zullinger says. After the initial shock faded, he says, the community came together and said, "This is the time for us to build an industrial base on that property and diversify it to the point that we will no longer need to depend on one major employer."

Actions taken by both Congress and the Clinton administration since 1993 will make it easier for Chambersburg and other affected communities to achieve that goal. Among the most important legislative changes: The Pentagon can now donate property to local authorities for the express purpose of creating jobs and promoting economic recovery.

Another important change: A base transition coordinator has been appointed for each closing or realigning base, to serve as a liaison between the community and the Pentagon. "The idea of the position is to gain trust from the community as well as the installation—to serve as an ombudsman for both sides," says Garry E. Gontz, a 20-year federal employee who is the coordinator for Letterkenny.

The job of drawing up a plan is usually contracted out and paid for with a federal grant. The funding available for planning grants "seems ample," says the developers association's O'Connell. But federal aid past the planning stage, for the actual conversion of bases, "seems to be drying up, to say the least," he says.

The wisdom that has accumulated from those previous closings may thus have to substitute for federal funding. Some themes that emerge from communities' experience to date:

Target growth industries. There have been "pockets of success" in redeveloping bases, Taibl says. "Communities that try to capitalize on growth industries seem to have done well."

Fit base development into a larger economic-development plan. Rantoul already had a strong economic-development program, aimed at diversifying its economy, before the closing of Chanute was announced in 1988, and Boudreaux says that was a great advantage.

Explore privatization of military facilities. The privatization of military maintenance facilities, in particular, "is an idea whose time has come," Taibl says. Zullinger says that about 500 civilian jobs at Letterkenny could be retained through privatization of missile maintenance, if the military does not follow through on a decision to shift all missile maintenance to another facility.

As Zullinger and members of his re-use committee have toured other military facilities in Pennsylvania slated for realignment, he says, he has encountered no shortage of good ideas. The most important lesson he picked up from his peers in other communities, he says, is to "keep an open line of communication with the commander at the installation. That comes up every time." Zullinger talks with Letterkenny's commander "at least weekly, and sometimes more often."

"Everybody in this business is willing to share information," Zullinger says. "I guess misery loves company." NB



PHOTO: ©GIBOUX—GAMMA LIAISON

The shipyard *in Long Beach, Calif., was among the major military facilities ordered closed in the 1995 round.*

Loans To Smooth The Transition

Defense cutbacks can have a direct impact even on small businesses that are nowhere near a base being closed. Many small firms that have been heavily dependent on defense contracts—often as subcontractors to larger firms—have found their revenue drying up as the military has shrunk.

In October 1995, the Small Business Administration and the Defense Department launched a three-year, $1 billion loan-guarantee program designed to help such defense-oriented small businesses make the transition to civilian markets.

The program, known as DELTA (for Defense Loan and Technical Assistance), is administered by the SBA, although the Pentagon supplied the funds to guarantee the loans. The money is being funneled through two existing SBA loan-guarantee programs, including the workhorse 7(a) program. The SBA's guarantee under a 7(a) DELTA loan can be as high as $937,500—up from the usual $750,000 for other 7(a) loans—and that means, since the guarantee covers 75 percent of a loan, that the loans themselves can be as large as $1.25 million.

The SBA is developing what Gregory Diercks, the national program manager for DELTA, calls "a directory of technical-assistance providers, who have agreed in writing to provide special assistance to DELTA clients. Sometimes a loan is the last thing a client needs; what they really need is engineering assistance or marketing assistance." That directory is expected to be available by late April.

DELTA applicants must have derived at least 25 percent of their revenues for the previous fiscal year from defense contracts (prime or subcontracts), in addition to meeting the normal eligibility requirements for SBA guaranteed-loan programs. More information is available from SBA field offices and from the SBA answer desk, 1-800-8-ASK-SBA (1-800-827-5722).

Small Business Financial Adviser

Competition in retirement plans; correcting your insurance record; deducting start-up costs; assessing a flat tax's impact.

Small Firms Gaining An Edge In 401(k) Plans

There is good news in the 401(k) marketplace for small companies. Competition is hot. And here's why: More than 96 percent of the really big companies already have 401(k) plans, according to a 1995 study by Access Research, a consulting firm in Windsor, Conn. But only 11 percent of companies with fewer than 50 employees have such plans.

"Most new-plan growth in recent years has been among very small companies, and that is where it will remain," according to a 1995 report by Sanford C. Bernstein, a Wall Street research firm.

That fact has not been lost on vendors of 401(k) plans, who are competing fiercely on service, fees, and investment performance. Although the cost per employee of starting and managing a 401(k) plan remains higher for small firms than for large companies, it has come down considerably.

David Huntley, a principal with HR Investment Consultants, a Baltimore-based firm that publishes the *401(k) Provider Directory*, estimates that small-company plans can cut a deal for $35 to $40 per participant annually, plus roughly $2,000 in administration fees. (All management fees are tax-deductible.) The per-participant fee is down from $60 five years ago but still far higher than the $20 to $25 that big companies pay.

To help small companies sort through the options, HR recently published its first small-company directory. It costs $85 and looks at 40 products geared toward companies with 200 or fewer employees. (You can order by calling 1-800-462-0628.)

Despite the emergence of 401(k) plans priced and packaged specifically for small firms, those with fewer than 25 employees may still want to pick one of two retirement-plan options with even lower administrative costs and less complexity: simplified employee pension plans, called SEPs, or salary-reduction simplified employee pension plans, called SAR-SEPs. Both create individual retirement accounts. The first is funded entirely by the employer, and the second is funded entirely by the employee. Both are easy to set up, come with low management fees, and require practically no paperwork.

When comparing these plans with a 401(k), Huntley cautions, "you can't just look at the cost. These plans are not the same." For example, SEPs give employees immediate control of their accounts, while employers may phase in employee control over several years with a 401(k) plan.

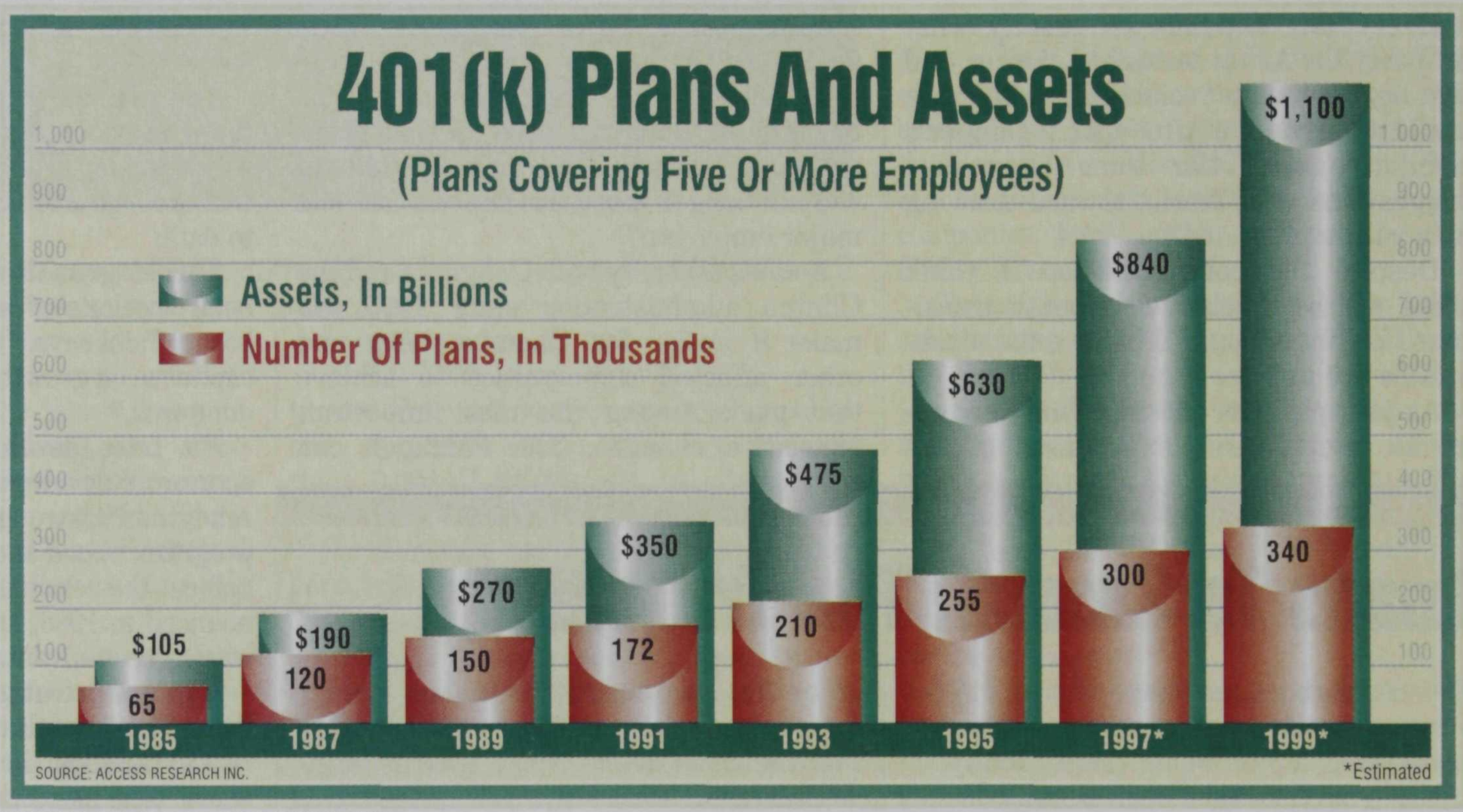
Customized Plans

Not surprisingly, the trend in the small-plan 401(k) market is to mimic large plans more closely. That means greater use of technology in transactions, more services, better communication and education, more-frequent valuation, and more possibilities for switching savings among funds included in the plan.

Business owners who are willing to spend the time can set up a customized 401(k) plan that accomplishes exactly what they need. Consider what the Homer D. Bronson Co.—a Winsted, Conn., maker of industrial hinges for automobile glove compartments, washing machines, clothes dryers, and other products—did when it set up a plan on Jan. 1, 1995.

Bronson's first goal was a common one: to heighten awareness among its 63 employees of the need to save for retirement. But Bronson also wanted to use the 401(k) plan to increase productivity and enhance the company's competitive edge in the small, niche business in which it is one of three players.

When Bronson researched retirement plans in 1994, the company was at a critical business juncture, says Walter Schuppe, the chief financial officer. Bronson had just been certified by the International Standards Organization as



CHARTS AND ILLUSTRATIONS: GEORGIA LEIGH MCDONALD



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Coming Up ...

MAY: Shopping Guide For 401(k) Plans

JUNE: 401(k) Investment Education For Employees

an "ISO 9002 registered company," meaning it meets rigorous quality standards. To maintain the certification, Bronson must be audited each year.

"It is very unusual for a small firm to get this certification," Schuppe says. "It is strategically important to our business that we maintain it." Partly as a result of the certification, Bronson won a major new account, Ford Motor Co.

Incentive-Based Contributions

So Schuppe wanted a retirement plan that would emphasize to employees the importance of corporate goals and help make them responsible for meeting those goals. Schuppe says he looked at 12 vendors and selected a prototype 401(k) plan for small businesses.

Schuppe and Bronson's CEO, Henry Martin, added the incentive-based match to the plan. "We said the company would match a portion of the first 4 percent of employee contributions," Schuppe says. "It would vary from 10 percent to 50 percent depending on how well we meet certain strategic objectives."

The company specifically wanted to avoid financial goals. "We are a small, private company, and we did not want to release our financials," Schuppe says. Instead, he and Martin picked goals such as improving service for clients and maintaining the company's ISO certification.

The plan was set up at the beginning of 1995 with three initial employee goals: to improve safety, quality, and client service. The company promised to match 25 percent of the first 4 percent of pay contributed for the first six months of 1995. Then it would measure how well employees had performed in meeting these objectives and would increase or decrease the match.

Criteria For Performance

"We tried to pick very fundamental criteria that were critical for the company and that would affect as many employees as possible," Schuppe says. "Then we communicated to the employees exactly what they were."

For example, safety would be measured by lost workdays. Quality would be measured by returned goods as a percentage of sales. And service would be measured by the way employees handled the transition to the new Ford account. Each target was assigned a value, and results were measured with 1994 as a benchmark.

Six months into the first year, Bronson had an 87 percent participation rate in the plan. When performance was evaluated on June 30, the company had passed its certification audit for the year. The match was raised to 35 percent from 25 percent.

"We may well have achieved all of these goals without the 401(k) plan," Schuppe says. "But what this does is clue the whole work force in to what are the most critical issues before the company. It brings clarity and focus. There is no question about what is critical to the company's long-term viability."

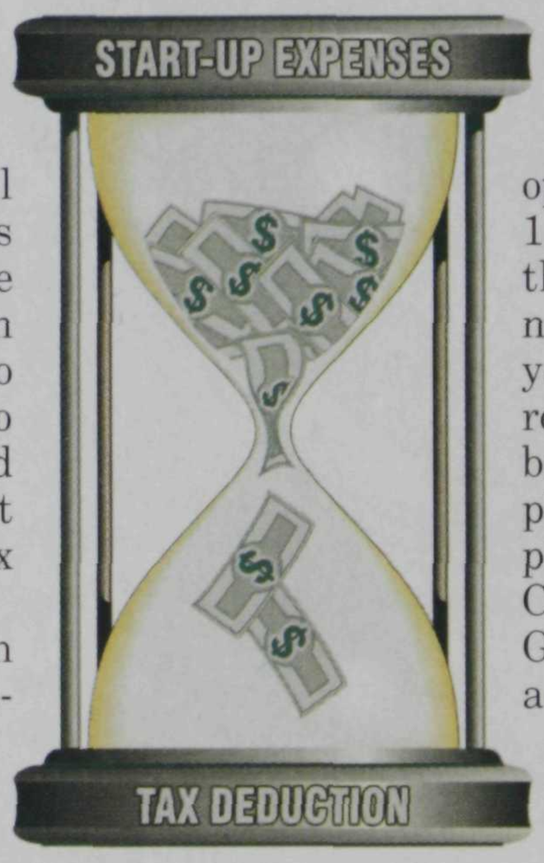
Glenn Rossman, a retirement actuary in the Fort Wayne, Ind., office of Buck Consultants, agrees that adding an incentive component to a retirement plan squeezes some extra mileage out of it. Another way to do that would be to add a profit-sharing element to a 401(k) plan. "You could give employees some means of sharing in the success of the company so they understand what the goal is," Rossman says.

A public company might do that by setting a target return on equity, for example. "If you get 15 percent return on equity, you might match 75 percent; if you get 18 percent, you could match dollar for dollar." But for a small, private company that does not want to release financial reports to employees, a system similar to the Bronson 401(k) is the best choice, he says.

TAXES

How To Deduct Start-Up Costs

Every new business has start-up costs for things such as market research, training for owners and employees, and fees paid to consultants, accountants, and attorneys. While such costs are clearly legitimate business expenses, how and when they are tax-deductible is less certain.



Say you opened a bagel franchise on Feb. 1 of this year. Before you opened the doors, you spent $4,500 in 1995 on a market study to choose a location, a trip to meet with the franchisor, and advertising. Can you deduct these costs on your 1995 tax return?

No. Before you can even think about deducting business expenses, you must be "actively carrying on a trade or business."

So what do you do about the $4,500 of start-up costs? Section 195 of the Tax Code requires you to add these costs to your balance sheet as an asset just like the cash you contributed to your business checking account and the cost of your equipment. While you can depreciate your equipment and recover the entire cost, start-up costs are a little more complicated.

Under Section 195 of the Tax Code, you may elect to amortize start-up costs over 60 months, beginning with the month that your business actually starts operating. (Amortization is straight-line depreciation of intangible assets.)

Thus, you could deduct $825 of amortization expense in 1996. ($4,500 divided by 60 = $75/month; 11 months x $75 = $825.)

The election is simple, but the timing is critical. It must be made no later than the due date of your federal income-tax return for the tax year in which the business began.

Once you decide to amortize start-up costs, you need to identify the day your business actually began. This may be tougher than you think.

If your bagel franchise opened to the public on Feb. 1, there is no doubt about the precise day your business started. But let's say your neighbor, the human-resources director of a large bank, asked if you could supply coffee and bagels to employees who had to work on Christmas Eve of last year. Grateful for the pre-opening advertising, you rang up a $500 sale. Now, can you deduct all or part of your start-up costs in 1995?

You probably can't. Despite the December sale, the Internal Revenue Service could point to your business plan, training schedule, and grand-opening celebration as proof that you actually opened for business on Feb. 1.

As long as you remain the owner of a business, there are no second chances to amortize start-up costs. If you miss your window of opportunity, you'll have to wait until you sell the business to get the tax break you deserve.

—Gloria Gibbs Marullo

The author is a CPA and financial writer in South Bend, Ind.

INSURANCE

Medical Records Bureau Agrees To Open Files

Just as inaccurate credit-history information can sink a small business's loan application, faulty medical-history information can lead to rejection or higher rates for health, disability, and life insurance for business owners and their employees.

For years, loan applicants have had the right to review and correct faulty credit-history information under provisions of the Fair Credit Reporting Act. Now the same right has been extended to those denied or charged higher rates for insurance coverage.



The nation's largest insurance-information reporting agency, the Medical Information Bureau (MIB), agreed in October to a Federal Trade Commission request to open its records to the scrutiny of individuals who have been adversely affected by their medical-history information.

"Before this agreement was reached, consumers often complained that they'd been turned down for insurance but weren't told why," says Jody Bernstein, director of the FTC's Consumer Protection Bureau. "Now they will be. If an error has been made, it's in everyone's interest to correct it."

The MIB, based in Westwood, Mass., is a nonprofit organization with approximately 680 member insurance companies. It collects data on individuals from insurance companies and furnishes that information to MIB members, which use it to process insurance applications.

If an insurance applicant has a condition that is significant to health or longevity, MIB member companies are required to send a brief report to the MIB. In addition to information on an individual's medical history, MIB files may include driving records, criminal convictions, and whether an individual participates in hazardous sports. The bureau's member companies account for 99 percent of individual life-insurance policies and 80 percent of the health and disability policies issued in the United States and Canada.

Under the agreement with the FTC, insurance companies using MIB data must notify each applicant who is denied insurance or is charged more for insurance whenever three conditions exist:

■ The insurer received information from the MIB pertaining to the applicant;

■ The information received from the MIB was used to alert the insurer to the possible need for further investigation of the applicant's insurability; and

■ The applicant for insurance was quoted a price or was rejected in whole or in part on the basis of the information obtained from that investigation.

Individuals who receive such notices are entitled to a free copy of their MIB report if the request is made within 30 days, enabling them to verify the correctness of information in the document.

Says MIB's president, Neil Day, "MIB reports are not used as the basis for an underwriting decision but are used to help detect and deter fraud upon insurers and their policyholders."

Under the new agreement, insurance applicants are now assured that if a mistake has occurred, it can be corrected.

—Milton Zall

The author is a free-lance writer in Silver Spring, Md.

TAX QUIZ

The Right Answers Can Save You A Bundle

What you don't know about taxes can cost you money. Test your knowledge with the quiz below, supplied by the Institute of Certified Financial Planners.

1. Which is more valuable, a $500 tax deduction or a $500 tax credit?

2. Child-support payments are tax-deductible. True or False?

3. The maximum amount that can be contributed tax-deductible to a nonworking spouse's individual retirement account is $250. True or False?

4. What's the highest federal rate at which capital gains from the sale of an investment held at least one year can be taxed? A. 28% B. 31% C. 36% D. 39.6%

5. Profits from the sale of tax-free municipal bonds are free of all federal taxes. True or False?

6. Social Security benefits are not subject to income tax. True or False?

7. Married couples generally pay more in income taxes than the combined total they would pay if they were single. True or False?

8. How many hours does the Internal Revenue Service estimate it will take you to prepare your Form 1040, including record keeping?
A. 6.4 B. 9.5 C. 11.5 D. 15.0

9. Death benefits paid from a life-insurance policy are free of income tax. True or False?

10. To prove a charitable donation of over $250, all you need is your canceled check. True or False?

Answers:

1. The tax credit, which reduces your taxes dollar for dollar. Because a deduction is subtracted from your taxable income, you figure the tax savings by multiplying the deduction by your tax rate. For instance, if you're in the 28 percent bracket, a $500 tax deduction would save you $140 in taxes.

2. False. Alimony payments are deductible, but not child support.

3. False. A married couple with an unemployed spouse can contribute up to $2,250 tax-deductible to their IRA accounts, but they can split the contribution as they choose, as long as neither spouse's contribution exceeds $2,000.

4. A. 28%

5. False. The interest earned is generally free of federal taxes, but any profit from the sale of a municipal bond is taxable.

6. False. As much as 85 percent of benefits may be taxed if the recipient earns above a certain level of income during the year ($44,000 for a married couple in 1995).

7. True. This is known as the "marriage penalty."

8. C. And if you add Schedules A, B, D, E, and SE, it takes 27.5 hours.

9. True. They are not necessarily free of estate tax, however.

10. False. You also need an acknowledgment letter from the charity.

INVESTING

The Flat Tax: Investor Nirvana?

By Randy Myers

Pardon investors if they get a little starry-eyed these days when politicians talk about replacing the nation's graduated income tax with a flat tax—one that would assess all taxpayers at the same rate.

The prototypical version of the plan would eliminate federal income taxes on all forms of investment income, including interest, dividends, and capital gains. Only wages and salary would be subject to the levy.

Endorsed in one form or another by most of the Republican presidential candidates, the flat tax sounds like a panacea for tax-averse investors. Under current law, they must juggle their portfolios laboriously to minimize the amount of their investment income that gets routed to Uncle Sam.

The juggling occurs when they try to offset their capital gains with capital losses or when they employ esoteric strategies such as "shorting against the box," which nobody but a stockbroker should have to understand. (For those who can't resist knowing, it involves selling borrowed shares of a stock at a high price, buying them back later at a lower price, locking in the gain, but deferring capital-gains taxes until after all the borrowed stocks are replaced.)

"Winners And Losers"

But a flat tax wouldn't shower benefits equally on all investors. "This is for the most part a zero-sum game," says Robert Willens, a tax analyst with Shearson Lehman Brothers, a large investment-banking firm. "There are going to be winners and losers."

One loser would be municipalities and the bonds they issue to finance capital expenditures. Under current tax law, interest paid on municipal bonds is exempt from federal income taxes. As a result, investors have been willing to accept a lower interest rate on muni bonds than on ordinary taxable bonds.

If a flat tax were enacted, all bond interest would be tax-free, and thus the value of existing muni bonds, with their lower interest rates, would likely fall sharply.

On the other hand, taxable bonds already on the market would probably go up in value. This is because one of the most broadly expected effects of a flat tax would be a general decline in interest rates. (Bond prices rise when interest rates fall.)

By eliminating taxes on interest income, the reasoning goes, demand for bonds would soar. Older Treasury bonds—because they would continue to pay interest at the higher rates in effect before the flat tax was enacted—would be especially prized by investors.

Accordingly, an investor who expects the flat-tax initiative to win approval "might be able to earn a windfall" by buying noncallable or long-call bonds now, observes Willens. Noncallable bonds (including U.S. Treasuries) are those that cannot be redeemed by the issuer before their maturity date; long-call bonds are those that can be redeemed before maturity, but not for many years.

Investors might also want to rethink their stock-market strategies if a flat tax is enacted. Under existing law, stock dividends are taxed by the federal government as ordinary income at rates as high as 39.6 percent. By contrast, taxes on capital gains, which are incurred when investors sell stocks or bonds for more than they paid, are capped at 28 percent.

That has led some tax-shy investors to avoid stocks of large companies that pay dividends in favor of smaller but faster-growing companies that don't. Under a flat tax, those big-company stocks might have more appeal.

Benefits For Manufacturers

The flat tax would favor certain industries, too. Most analysts agree that manufacturers and other firms that make substantial capital investments in plants and equipment would benefit from the flat tax, since it would allow them to deduct those expenditures immediately, rather than depreciating them over many years as they do under current law. Many service industries wouldn't enjoy a comparable benefit.

Should you start revamping your investment portfolio now to take advantage of flat-tax implications? After all, analysts believe that municipal-bond prices have already trended lower in anticipation of some type of tax reform, albeit not enough to reflect that a flat tax is seen as imminent. The answer depends on how confident you are that Congress will approve and the president will enact such a radical change to the tax system. A major hurdle is centered on how a flat tax would affect middle-income Americans.

A Higher Rate?

While proponents insist that the new system would trim taxes for everybody, many independent analysts agree that the poor and the wealthy would likely benefit most, while taxes paid by everybody between those extremes could go up.

These same analysts doubt that the tax rate could be kept at the 16 or 17 percent rate currently bandied about by some proponents of the plan. Instead, they suggest, the rate would probably have to be 20 to 23 percent to raise as much revenue as the current tax system does.

As if those arguments weren't chilling enough, most of the current flat-tax proposals would repeal one of the perks most cherished by middle-income taxpayers, the home-mortgage deduction.

Still, many political observers think the flat tax has a real chance of becoming law. "If the Republicans win the White House this year and retain control of Congress, I would rate the chances of this happening very high, way over 50 percent," Willens says. "If President Clinton wins, I would rate the chances very low. We only need to look at the budget impasse to see how they [Clinton and the Republicans] do on compromise." NB

Randy Myers is a financial writer in Dover, Pa.

How Most Flat-Tax Plans Would Affect Investors*

	Current Tax Rates	Flat-Tax Rate
Dividends	Up To 39.6%	0
Interest	Up To 39.6%	0
Capital Gains	28%	0
Capital Investments	Gradual Depreciation	Immediate Deduction

*Reflects provisions of the prototype flat-tax plan developed by two Stanford University professors in 1981. Most subsequent versions advanced by flat-tax advocates also incorporate these provisions.

Franchising SPECIAL GUIDE

A Piece Of The Action

Connecting with a franchise company can be a vendor's ticket to growth.

By Roberta Maynard

Selling goods and services to franchise companies and their franchisees has many small businesses chalking up record revenues. Their stories of breaking into this market—and the prosperity that followed—offer tips for others seeking opportunities to expand.

Dianne and Mike Dougherty's dessert business, for example, had revenues of $360,000 in 1992 when it started supplying cheesecakes to an Atlanta franchisor, Steak-Out, Inc., which delivers grilled meals to customers. Three years later, the Doughertys' Heavenly Cheesecakes, Inc., had revenues of $1.2 million, an increase that is attributable solely to this new vendor relationship.

In the Canadian province of Ontario, Whip's Carpentry will make a cool million in additional revenue this year by supplying custom document containers to a franchise company called Shred-it America, Inc., a document-shredding service. In 1995, Whip's entire revenues were $1.3 million.

An Albuquerque, N.M., company, Roses Southwest Papers, Inc., doubled its revenues from 1994 to 1995 after starting to supply paper products to McDonald's and other franchisors in the early 1990s. Revenues are expected to double again this year, to $24 million.

Such is the power of a franchise connection.

That power comes in part from the fact that franchising, which represents 40 percent of the retail sector's revenues, is growing at a rate of 10 percent per year, according to the International Franchise Association (IFA), a franchise trade group in Washington, D.C. Another factor is the inherent efficiency of the franchise system.

"If you think of the way that franchises grow, they develop a system that can be duplicated," says Jeffrey Kolton, chairman of the IFA's franchise suppliers' council and president of Frandata Corp., a Washington, D.C., franchising research firm.

"That uniformity—the same products, same policies, same equipment—makes it easier as a supplier, both to market to and to service, than [dealing with] a lot of independent businesses," says Kolton. "With an independent, you make a sale and you have one customer to service in a certain way. For the next prospective customer, you've got to start all over again, understanding the nuances of the business, learning its needs, and determining competitors and pricing. With franchising, once you've mastered one [store], you've mastered the entire system."

Vendors can get a toehold in a franchise operation by establishing relationships with franchisees, distributors, brokers, and sometimes with the franchisor itself.

A good way for small vendors to begin is by supplying to an individual franchise owner. This can help the vendor learn how the franchise operates and adjust its procedures to meet the franchisee's needs. It also can lead to relationships with more franchisees and often with the franchisor, which can open the door to the entire franchisee network.

The Doughertys became suppliers to Steak-Out by so impressing an individual





Being a supplier *to Steak-Out franchises has been heavenly for cheesecake makers Dianne and Mike Dougherty.*

PHOTOS: J. MICHAEL KEEL

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franchisee with their cheesecakes that the franchisee recommended the company to the corporate office.

The standing ovation the product received at an annual franchisee meeting clinched the Doughertys' deal to supply for the entire system.

This approach also worked for Sol Arledge, executive vice president of Discount Labels, in New Albany, Ind. He built relationships with more than one-third of AlphaGraphics, Inc.'s franchisees before approaching the corporate office of the printing-services company for approval to become a national vendor. He got the corporate nod, and the company's revenues in the ensuing seven years have risen to $52 million from $5 million.

"The stores can choose whom to use," says Arledge, "but when you get corporate's blessing, most [franchisees] really follow it."

Vendors who approach a franchisor directly rather than through its franchisees or other channels are likely to find smaller franchisors more accessible and more flexible than larger ones.

With Steak-Out, supplier Dianne Dougherty sensed that she was dealing with entrepreneurs with a business philosophy similar to hers. The company's president came by on a Saturday afternoon to look at the operation. Later, Steak-Out gave the Doughertys a contract—nearly unheard of in the food business—to help them demonstrate to their bank that they could repay the loan they were seeking.

A longer-term strategy is to scout out local chains of two to five locations that are likely to franchise their operations. This worked well for Junior Moss, owner of City Provision Co., Inc., a Georgia distributor.

Moss began supplying meat items to Buffalo's Cafe nine years ago, when it was a single restaurant. When it expanded to three locations, Buffalo's told Moss of its plans to franchise and gave him the chance to expand his own volume. Now, Moss supplies the 33 Buffalo's restaurants in the Southeast as well as five other franchises.

An effective strategy for hooking up with very large franchisors is to become a regional vendor.

Roses Southwest Papers, for example, is content to supply paper products to McDonald's restaurants in just 11 states because freight costs to other regions would make the company's bids uncompetitive.

"We want long-term relationships, quality, and purchasing power."
—Rich Anderson, AlphaGraphics

Supplying goods or services to franchise systems is similar to supplying to independent companies, because each franchise is a separate business. A major difference is the existence of a second decision maker, the franchisor, who strives to ensure consistent quality throughout the network.

Franchisors choose the vendors that supply to all or large parts of their networks. In the case of proprietary products such as software or food ingredients, the franchisor may designate certain vendors to be used by all franchisees.

Franchisors also have a hand in choosing—or approving—local or regional vendors. In some instances, a franchisee may be able to start doing business with any vendor whose products meet the franchisor's specifications. More often, however, individual franchisees must seek franchisor approval of vendors they want to use.

Vendors accustomed to dealing with just one business owner to make a sale may find franchising's approval processes lengthy and frustrating. They can expect to be the object of a fair amount of due diligence, including testing and analyzing of food products and franchisor visits to their facility.

Choosing suppliers is serious business for franchisors. At stake is the satisfaction not only of customers but also of dozens or perhaps even thousands of franchisees. Reputation, a good balance sheet, and even business philosophy are often considerations; dependability, consistency, and competitive pricing always are.

"One of the biggest advantages of franchising," says Jim Dresher, a Golden Corral steakhouse franchisee in Baltimore, "is that franchisors weed out the people who don't run good operations."

Franchisors get volumes of sales calls from vendors, but many efforts are fruitless because of the vendors' failure to prepare adequately for those meetings. "About half of the approaches we see from vendors are that they will make us more money or make our franchisees happy," says Dan Sautner, chairman of Padgett Business Services, a tax and accounting firm with 350 offices in the U.S. and Canada. "When I hear that, I drop [the conversation]. I want to know what are

the benefits to changing suppliers, where's the innovation, where can you save us a little time, where can we be more efficient? If a change will save three or four keystrokes per client for 20,000 clients, that's significant."

Because so few vendors research the companies they pitch to, say franchisors, a vendor who has done his homework stands out. "Someone gets a little further with me if they've taken the time to learn about our business," Sautner adds. "You can't suggest an intimate knowledge of our needs if you don't know anything about us."



PHOTO: ©SHAWN SPENCE

Revenues have shot up *in the seven years since Sol Arledge helped establish Discount Labels as a vendor to a national printing-services franchisor.*

Discount Labels' Arledge, for his presentation to AlphaGraphics, put together a detailed plan to show specifically how his firm could improve AlphaGraphics' operations. "You have to have a plan," he says. "If you're going to beg for sales, you're going to have a hard time with a franchise company."

AlphaGraphics, with 330 franchises worldwide, was a little tougher to get approval from than other companies, Arledge says. "We targeted them first because we knew if they picked us up, we could get in with other companies."

AlphaGraphics' short list of vendor requirements doesn't beat around the bush. Products must be 100 percent defect-free and delivered on time at the negotiated cost. Prices must be set at a fair level and must reflect the added value. Agreements and product support must be worldwide, and any problems with vendors' products must be resolved immediately.

"We want long-term relationships, quality, and purchasing power," says Rich Anderson, vice president of technology and vendor services. "First-rate vendors really stand behind their products. Printing is a business of details. With us, they either do it right or make it right." In an annual survey, AlphaGraphics asks its franchisees to rate their vendors. "Being at the bottom of the scale is a serious wake-up call," says Anderson. "A vendor won't appear at the bottom two years in a row."

Although all franchisors expect quality and consistency, they do differ in what they emphasize in their vendor relationships. Some look to their vendors for new product ideas and want them to be active partners. Golden Corral's best suppliers, according to CEO Ted Fowler, routinely schedule visits with the franchisor to talk about ways to grow together and to improve service and products.

A vendor's distribution capability is critical in some industries. Unlike food franchisors, which funnel goods through distributors, franchisors in other industries expect their vendors to manage their own distribution. Says the Padgett company's Sautner: "Suppliers need to be aware that we aren't going to be involved in their billing, collection, and distribution. One of the first questions we ask them is about their distribution system."

Gene Ross, vice president of the Steak-Out chain, examines vendors' operations to see if they're structured for growth and for keeping pace with orders. "We have limited menus, and we can't afford to be out of stock," he says. "Among the qualities we look for—especially with a small vendor—is a company's management structure: whether the management can delegate, select, train, follow up."

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be prepared to maintain sufficient inventory to ensure quick turnaround for its franchisees. And, as a Canadian company with customers in both Canada and the United States, the company wants vendors who are able to handle both markets. As for price, Shred-it's vice president of development, John Prittie, says: "They have to have a very, very sharp pencil."

A vendor's unrealistic promises of a delivery schedule or a price will be discovered quickly. Franchisors test vendors' claims in various ways, such as by trying out the supplier with a company-owned store rather than a franchised one or by experimenting with a product in a handful of stores before offering it throughout an entire region.

"Be realistic when making promises," advises Dianne Dougherty, "because with franchises, you have to meet each and every shipment amount and each deadline."

Most important, the same network that helps generate sales for a vendor can also squelch them. "Even one complaint from a franchisee is enough to get our attention," says Padgett's Sautner. "We look into how the problem was resolved and how it will be avoided in the future. As a supplier to this kind of group, one unhappy customer can ruin a relationship with the other 350."



PHOTO: ©JOE TRAVER

Hooking up *with a franchisor requires trade-offs, says Michael Lycklama, general manager of Whip's Carpentry.*

Working with a large or growing franchisor is a little like jumping onto a moving train—it's hard to get on board, but if you can make it, you'll really gain some speed. Usually, getting on board means spending money and making changes.

To meet the product demands of Steak-Out, Heavenly Cheesecakes had to invest an initial $60,000 in ovens and freezers. Not long afterward, more financing was required as the Doughertys left their 1,800-square-foot converted house for a 16,000-square-foot commercial facility. The increased volume—thousands of cheesecakes weekly, 1,000 for Steak-Out alone—called for changes in operations and in management as well and doubled their employee count to 17.

To satisfy McDonald's, Roses Southwest Papers had to make significant changes in the content of its napkins and paper bags. CEO Roberto Espat had to ask his own suppliers for a different mix of raw materials to meet the requirements of McDonald's for 100 percent recycled paper. He also had to adapt his methods for testing paper strength, size specifica-



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tions, and the quality of the raw materials. Then, when he began supplying to Burger King, he took on a second set of requirements and specifications.

At Whip's Carpentry, in Burlington, Ontario, hooking up with Toronto-based Shred-it a year ago led to major changes and cost increases. "First, it means extending credit to 30 businesses rather than one, and payments are slower," says Michael Lycklama, Whip's general manager. Paperwork has tripled, he says, partly because of the additional reports required by the corporate office. The phone bill has quadrupled. The cost of inventory rose 40 percent last year, and office expenses increased 50 percent.

To meet Shred-it's volume demands, Whip's Carpentry had to install computerized accounting and bookkeeping as well as a second phone line and a dedicated fax. Those changes, says Lycklama, were positive improvements for the company.

"There's a lot more to do, but that comes with making more money," he says. "It's definitely worth the effort to pursue franchise businesses." Whip's revenues grew 50 percent last year and are expected to increase 100 percent this year.

Franchisor standards may cause headaches, but they can also benefit a company by improving operations. "Hooking up with franchisors really helped us to focus on customer service," says Discount Labels' Arledge. "We thought we did a pretty good job before, but we have made many improvements."

For the past five years, Arledge's company has been named AlphaGraphics' top supplier, beating out both the franchisor's internal commercial-printing operation and an internationally known maker of office products.

Rich Anderson at AlphaGraphics cites an example of a supplier that improved its equipment manual after a franchisee said it was difficult for new employees to use. The result—fewer service calls and improved efficiency—was so dramatic that the vendor adapted the manuals used by all of his customers. "If you're not prepared to have an excellent product with excellent support, [franchisees] can be customers from hell," says Anderson. "But if you have these, franchisees can help you become better."

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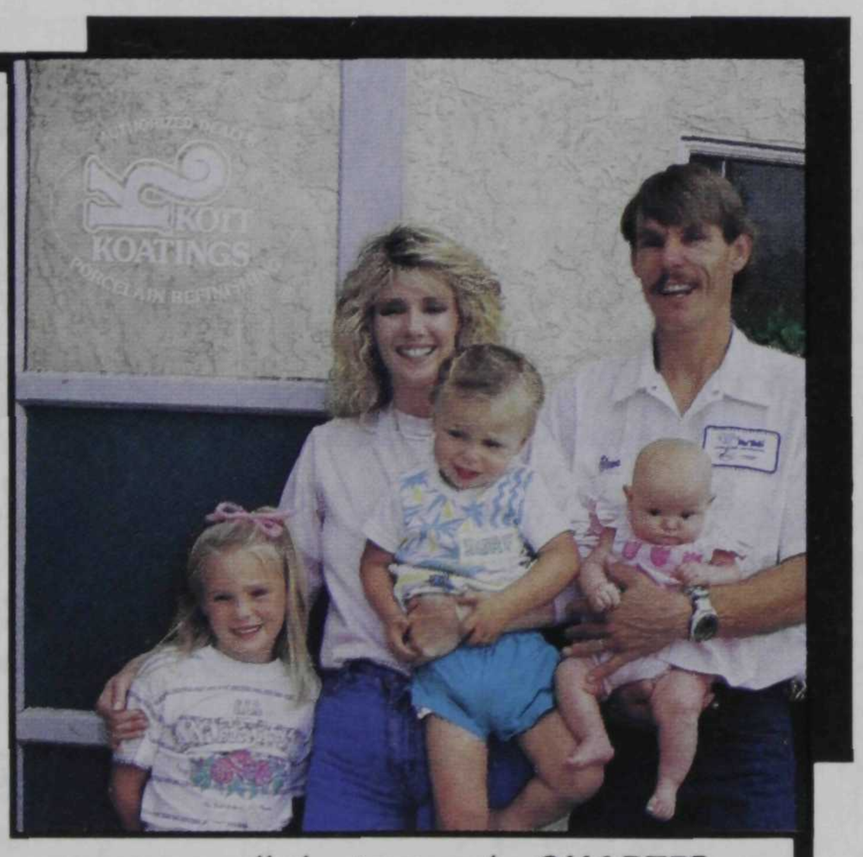
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falo's Cafe, which is based in Atlanta, services 33 stores. If Buffalo's grows as planned to 150 stores, within three years that supplier will have nearly five times the business.

The Doughertys began supplying to Steak-Out three years ago when the company had 47 units. Now there are 80 units selling their cheesecakes.

Shred-it America, with 30 offices, will add 18 more this year—all to the benefit of its vendors. "I'm growing Whip's business," says vice president Prittie. "When we open new offices, they automatically have more customers."

Even vendors working with single franchisees can tap that growth without the cost of marketing to new customers. A franchisee who is a multiple-unit developer may have an agreement with the franchisor to develop, say, 10 stores in an area; a vendor who makes that one sale is really making 10.

"Until recently, franchising hasn't been separated from other business in suppliers' marketing plans."

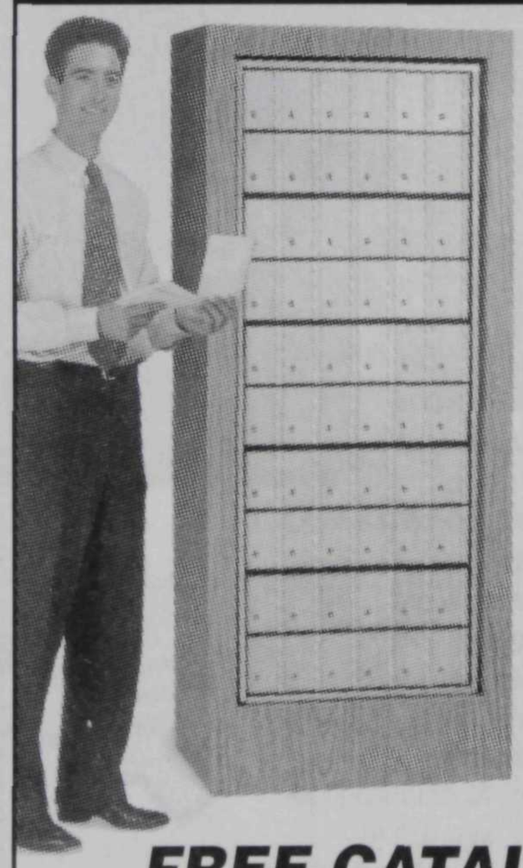
—Jeff Kolton, Frandata

With nearly 1,000 U.S. franchisors and about 670,000 outlets, opportunities abound for quality suppliers. More and more, suppliers are focusing on these companies and learning how to market to them, says Frandata's Kolton. "Until recently, franchising hasn't been separated from other business in suppliers' marketing plans," he says. "We have seen a move in the last two to three years to recognizing the opportunities in franchising, especially in the financial and insurance services, public relations, and real-estate site selection."

All suppliers are looking for niches, Kolton continues. "More and more, suppliers see franchising as a niche market and an opportunity to develop market share." NB

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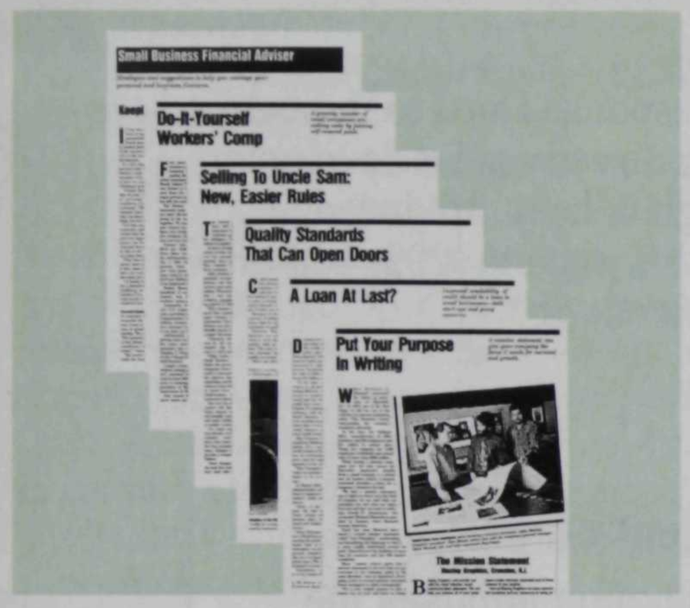
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On Regulations

Background: As part of his "re-inventing government" effort in 1993, President Clinton issued an executive order requiring federal agencies to devise regulations in a cost-effective way, allow more-flexible methods of compliance, and consider the total economic impact of proposed rules.

Use the attached, postage-paid Reader Response Card to indicate whether you think the president's specific directives for developing regulations, summarized in Nos. 1 through 6, have produced a better or worse situation or no noticeable change. Or circle your answers and fax this page to (202) 463-5636. Results of this poll will be forwarded to administration officials and congressional leaders.

1

President's Order:

Determine whether the proposed new regulation is required because of problems created wholly or in part by existing regulations or laws.

1 Better 2 Worse 3 No change

2

President's Order:

Consider alternatives to direct regulation, including market-based, economic incentives aimed at achieving the desired result.

1 Better 2 Worse 3 No change

3

President's Order:

Where practicable, specify the desired result of a rule, rather than specific actions a business or unit of government must take to achieve it.

1 Better 2 Worse 3 No change

4

President's Order:

Ensure that the regulation imposes the least possible burden on individuals, businesses, small communities, and governments, and consider the costs of cumulative regulation.

1 Better 2 Worse 3 No change

5

President's Order:

Write the regulation in simple and easy-to-understand language to minimize uncertainties and lawsuits.

1 Better 2 Worse 3 No change

6

President's Order:

Assess both the costs and the benefits of the proposed regulation.

1 Better 2 Worse 3 No change

Send Your Response Today!

POLL RESULTS

Readers' Views On Labor's Aims

Small business is willing to counter organized labor's aggressive new tactics, according to the latest Where I Stand poll results.

Two out of three respondents to the poll in the February *Nation's Business* said they are willing to use "equally aggressive tactics" against any union-sponsored "corporate campaign" directed at their firms. Fifty-four percent of respondents said their companies could survive a corporate campaign, and 51 percent said they don't think a strike against their companies would be effective.

Corporate campaigns are intended to secure union demands from employers by pressuring their suppliers, creditors, bankers, customers, or clients.

Such tactics against businesses of all sizes are expected from a newly energized union movement. The former leaders of the AFL-CIO, the umbrella federation for organized labor, were forced out last year by insurgents demanding a stronger union voice at the national level. The new leaders have promised more efforts to organize nonunion workplaces and to seek better deals for workers already in unions. Instead of strikes, unions are expected to launch corporate campaigns.

Here are the complete results of the poll:

LABOR'S STRATEGY

Is your business prepared for a resurgence of union activity?

Yes	42%
No	44
Unsure	14

Could aggressive nonstrike tactics by unions threaten your business?

Yes	44%
No	43
Unsure	13

Could a strike against your firm be effective?

Yes	29%
No	51
Unsure	20

Could your business survive a "corporate campaign"?

Yes	54%
No	16
Unsure	30

Can unions reverse the decline of their share of the work force through their aggressive new organizing campaigns?

Yes	24%
No	47
Unsure	29

Would you be willing to respond to a "corporate campaign" with equally aggressive tactics?

Yes	67%
No	13
Unsure	20

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Free-Spirited Enterprise

By Michael Barrier

Safe At Any Speed

A few months ago, when President Clinton signed a bill lifting the federal speed limit of 55 mph and permitting the states to set whatever limits they chose, no one was more delighted than Jay S. Kim.

Kim is not, as you might imagine, a Montana rancher who thrills at the prospect of scooting from one end of his state to the other in a couple of hours less than it used to take. He is, rather, a Korean-born businessman in the Los Angeles area, where driving more than 55 mph is, much of the time, a fantasy worthy of the makers of "Speed." (You remember, the movie with the L.A. bus that couldn't drop below 50 mph or it would blow up. Try that with a real L.A. bus, and you'll probably be atomized within five minutes.)



So why is Kim happy about a higher speed limit? Because when people drive faster, they use more gas—and Kim is in the business of improving cars' gas mileage.

His company, Cyclone USA, in Santa Fe Springs, sells (for about $65 to $70 retail) a stainless-steel device called the Tornado Air Management System. It comes in two basic configurations—one for carburetors and the other for fuel-injection engines. There are about 30 models of the Tornado in all, but 10 of them cover about 90 percent of the cars and light trucks sold.

The Tornado's shtick is that it improves air flow into the combustion chamber; that more vigorous flow breaks the fuel apart into tinier droplets than before, so there's more of it to ignite, and thus more power for the car. "It means you can drive more miles, with more power," Kim says. "It's that simple."

Anyone who has watched much late-night TV over the years may feel a prickle of suspicion at this point. Devices and potions that promise to improve your gas mileage are about as common as devices and potions to improve your love life, and most of them are as efficacious. The Tornado, though, gives every appearance of being the real thing. It has already accumulated a stack of impressive endorsements from automotive experts, and it has picked up some large retail accounts; Kim sold around 10,000 units last year.



Kim's brother, a Korean automotive engineer, invented the Tornado about 10 years ago. His company—called Korea Industrial Design Co.—has been selling it in Asia for years, and at one point he signed a distribution agreement for the U.S. with what Jay Kim calls "a gentleman from Texas." When that arrangement fizzled, Kim took over, in 1990, but the hurdles that federal and California environmental regulations impose on aftermarket devices delayed the Tornado's introduction for almost five years.

Kim came to the U.S. from Seoul in 1982, when he was 26; he lived in Seattle at first, where he worked as a medical technologist, screening blood at a blood bank. He moved to Southern California in 1985 and owned a clothing store, until the Tornado called.

Cyclone USA is still a tiny company, with only five employees, but it is attracting private investors; four such have put $150,000 into the company, Kim says. The manufacturing is done in Korea.

For more information, you can call Cyclone USA at 1-800-500-8880. They'll refer you to a dealer, or, if you're one of those ranchers in Montana and there's not a dealer an easy drive away—even now that there's no daytime speed limit there—they'll sell you one by mail.

The Face In The Yearbook

Thanks to the computer, it's becoming harder than ever to avoid your high-school reunion. That thought is enough to bring out the Luddite in some of us—but never mind.

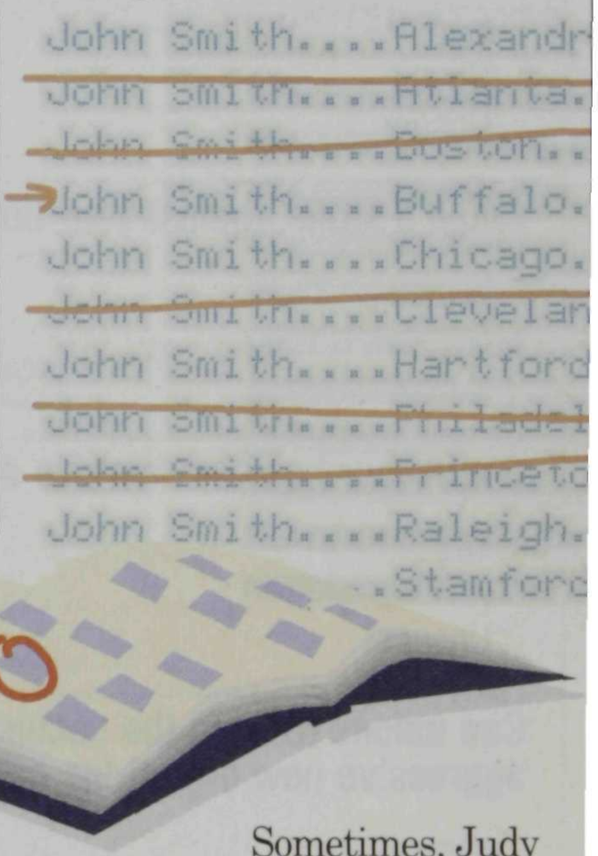
What brought that thought to mind was seeing the brochure for a Ballwin, Mo., operation called the Class Reunion Management Co. It's run by a couple named Mark and Judy Jackson; they handle all the logistics for reunions—lining up the entertainment, renting the facilities, producing the directory, and so on.

The Jacksons decided to go into the business late in 1994, when Mark's high school held a reunion. The ticket price was "astronomical," Judy recalls, and they thought they could do a better job for a lower price.

The tickets for the reunions they handled last year cost no more than $35 per person, a figure that covered all their costs and their fee. They handled four class reunions in their first year, and at the start of this year already had three lined up for '96. They'll be able to handle six, Judy guesses, before they have to start thinking about hiring some help (Mark still works full time as a banker).

The computer comes in when it's time to track down lost classmates. To do that, the Jacksons use one of a number of computer programs that essentially put the nation's telephone directories on CD-ROM and thus make them accessible through a home computer. They don't have to scan the entire country for a name, though. Usually, they have something to work with—maybe an old address in a town where someone still lives, or a scrap of information from another graduate.

"You can't find everyone," Judy acknowledges, but they have an impressive batting average—for one reunion, they were able to locate all but four of 228 potential invitees.



Sometimes, Judy says, it can take 35 or 40 phone calls to locate someone who knows where the missing graduate is—and then that person won't talk. Some people just prefer to stay lost. Others may be delighted to be found, but, alas, there's no way to get them to the reunion; those are the ones in jail. NB

ILLUSTRATIONS: MICHAEL ROOK

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TOP-RATED BUSINESS PRODUCTS!

Nation's Business readers have selected their TOP 10 business products in the only way that counts... with their wallets! Through their purchases they've told us that these courses, documents, and strategies have helped them save time, generate income, and foster better customer and employee relations. In general, they've said that many of the products on the following pages have helped their businesses grow and prosper.

Listed below are the TOP 10 to serve as a guide for your own purchases. And we've introduced seven new products to our regular offerings, three of which are featured on this page. Remember that every product shown in the grouping has undergone rigorous screening before it appears in Nation's Business. Remember, too, that every product we offer carries our 30-DAY SATISFACTION GUARANTEED pledge: If for any reason you decide to return a product within 30 days of receipt, you'll receive a complete refund or cancellation of your credit card charge. Order your examination copies today!

TOP 10 HONOR ROLL

Sales LetterWorks
(customizable, ready-to-use sales letters)

BizPlan*Builder*
(business plan development)

The Power of Customer Service
(enhanced customer satisfaction)

Up Your Cash Flow
(cash needs fulfillment)

38 Proven Ways to Close That Sale
(sales solutions)

50 Ways to Keep Your Customers
(customer retention)

Legal LetterWorks
(customizable forms, contracts, agreements)

Business LetterWorks
(customizable letters for every occasion)

Personnel ReadyWorks
(human resource management forms)

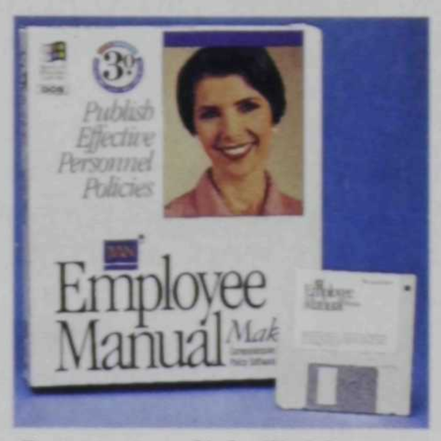
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(free publicity generation)

Full descriptions inside. Order now!

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EMPLOYEE MANUAL *MAKER*



Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 400-page reference guide.
Regularly priced: $139.00
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Stop problems before they occur by creating a company-specific manual that details your policies, procedures, and benefits. With over 140 ready-to-customize documents to choose from, you'll not only satisfy legal requirements when you give each employee a manual, you'll have better informed (and happier) employees and managers... and that means a smooth-running business. This is a *must* for anyone with five or more employees.

NEW!

Software that helps you locate lending sources.

FINANCING SOURCES DATABANK



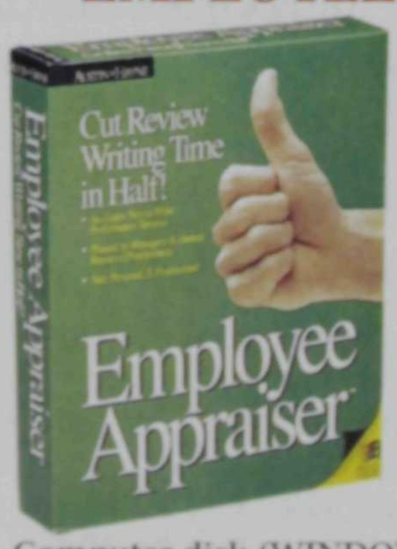
Computer disk (DOS 5-1/4, 3-1/2) for 3.3 or later, 6.5 MB, 640K RAM
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plus $12 s/h

Take the guesswork (and the agony) out of borrowing by matching your needs with firms who *want* to lend you money or invest in your company. Simply type in your industry, location, and the amount and type of capital required, and within five minutes you'll have a list of venture capital firms, small business investment companies, commercial banks, equipment lessors, factoring firms, and asset-based lenders who are looking for companies just like yours! Don't ever be put off by a local bank again.

NEW!

Better employee evaluations... delivered in half the time.

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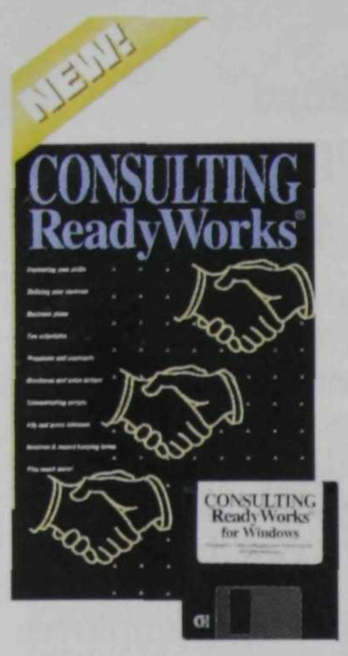


Computer disk (WINDOWS 3-1/2) with over 400 writing samples. Regularly priced $129.00
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Avoid common performance appraisal mistakes that can get you into legal difficulty... and ruffle employee feathers. Developed by labor law experts, this computer-based program checks your documents for inappropriate language and not only offers advice on how to correct it, but gives you access to hundreds of professionally written phrases and paragraphs that can be personalized for your needs. You and your supervisors will cut review writing time in half!

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COMPUTER LETTERS, FORMS, DOCUMENTS, AGREEMENTS



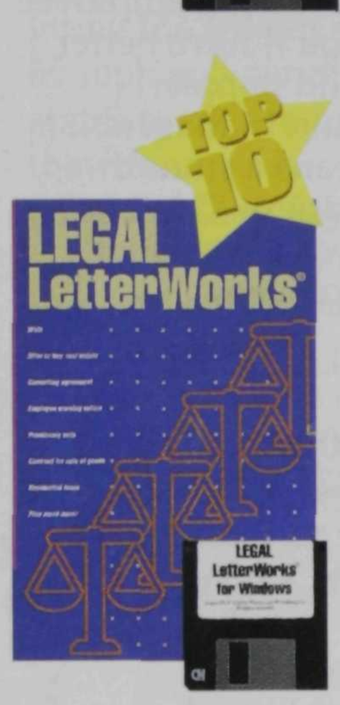
Expert advice and forms for starting and running a consulting business.

CONSULTING READYWORKS

Start generating income from the moment you start your business. 150 forms that help you calculate fees, send winning proposals, write your own brochures and sales letters, create contracts, and more. This program also explains what to do about slow-paying clients, how to dramatically increase business from existing clients, and how to get free publicity.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 300-page book (150 documents)

$119.95 plus $6 s/h



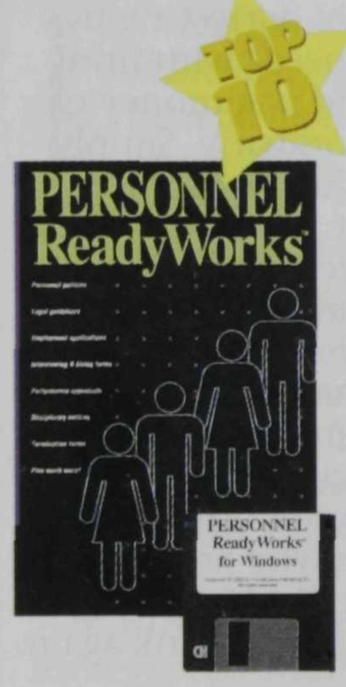
165 legal forms and agreements

LEGAL LETTERWORKS

Count the times you've needed a legal form: partnership or corporation papers, brokerage agreement, real-estate lease, contract for sale of goods, a will. Now you can save money on legal fees and avoid time-consuming deal-killing delays. Just call up the form you want, fill in the blanks as directed, and print a completed form.

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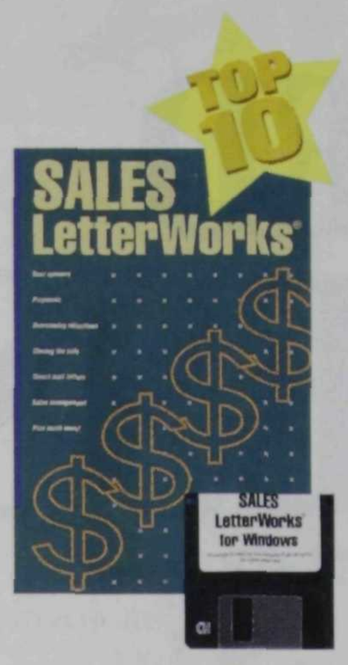
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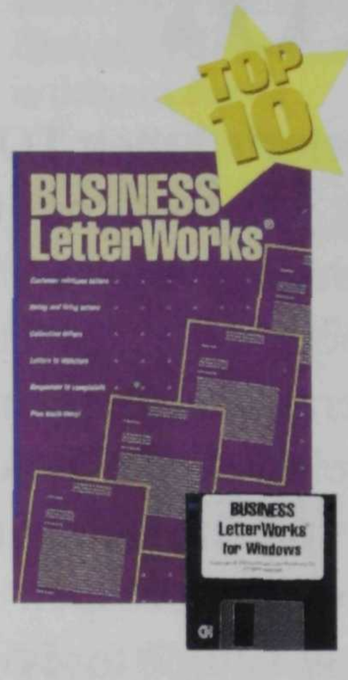
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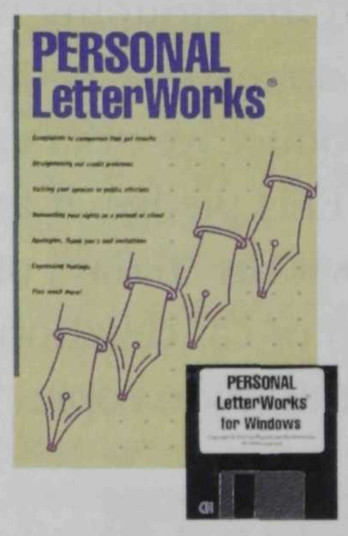
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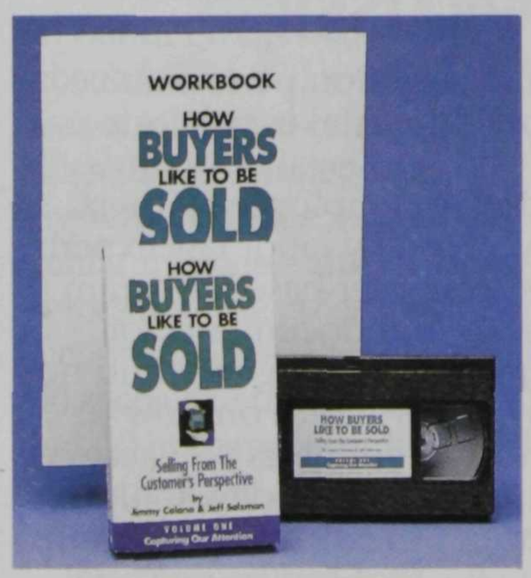
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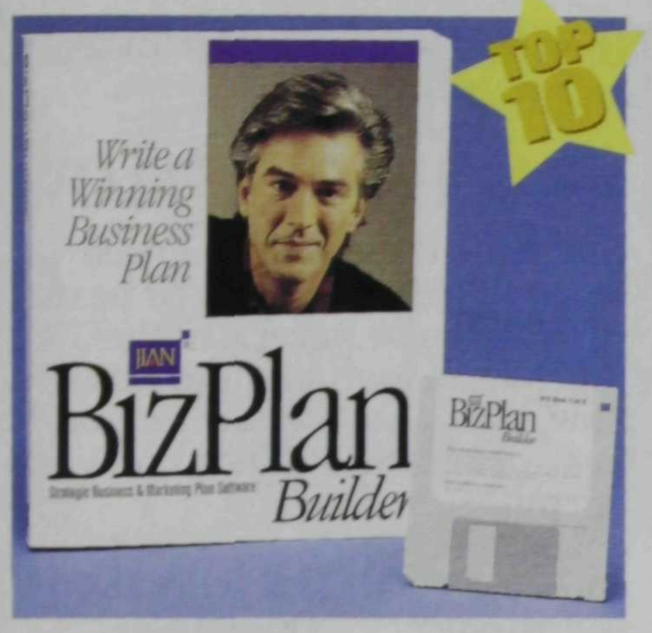
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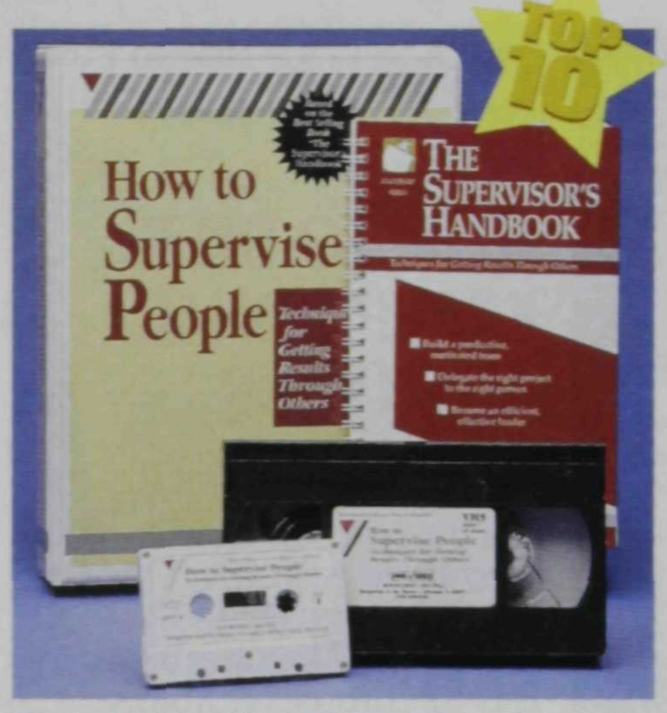


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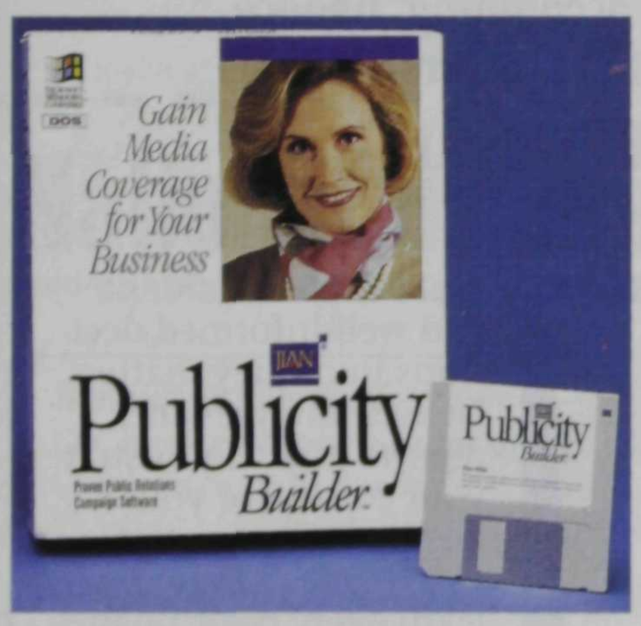


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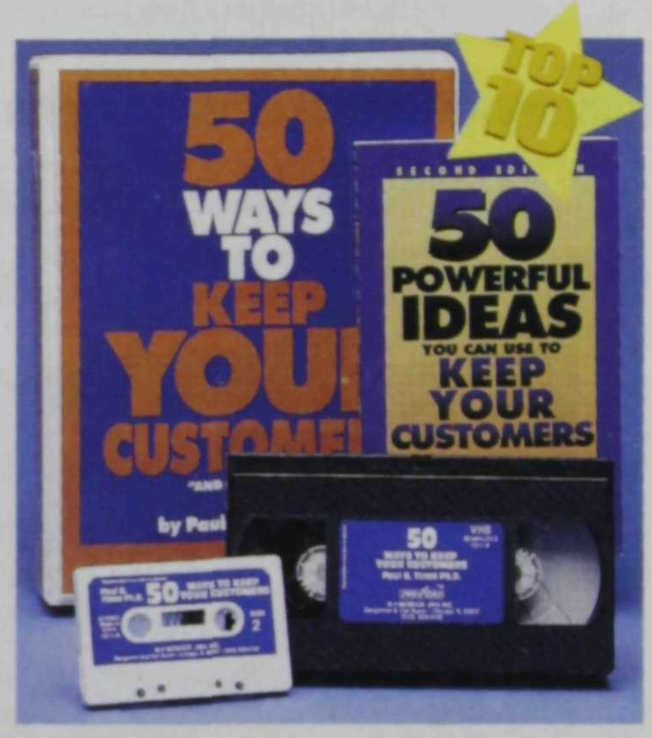
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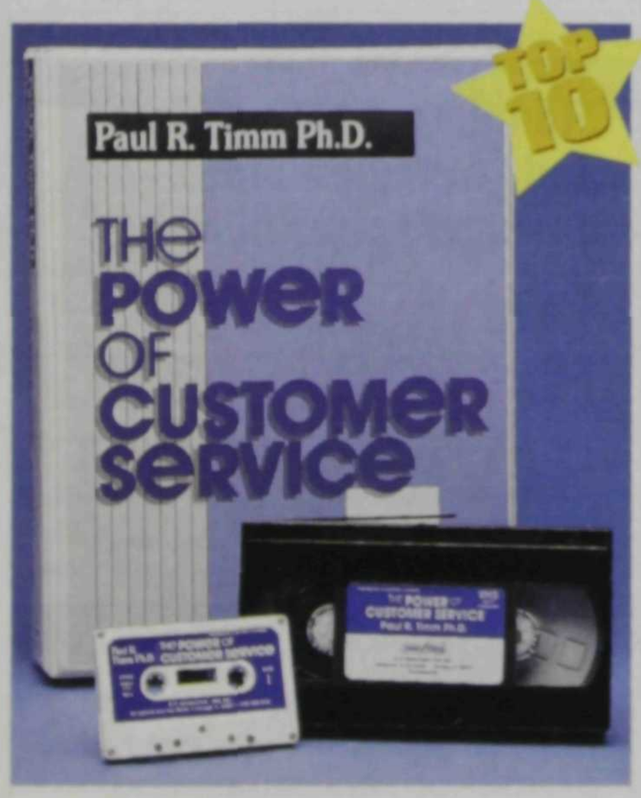
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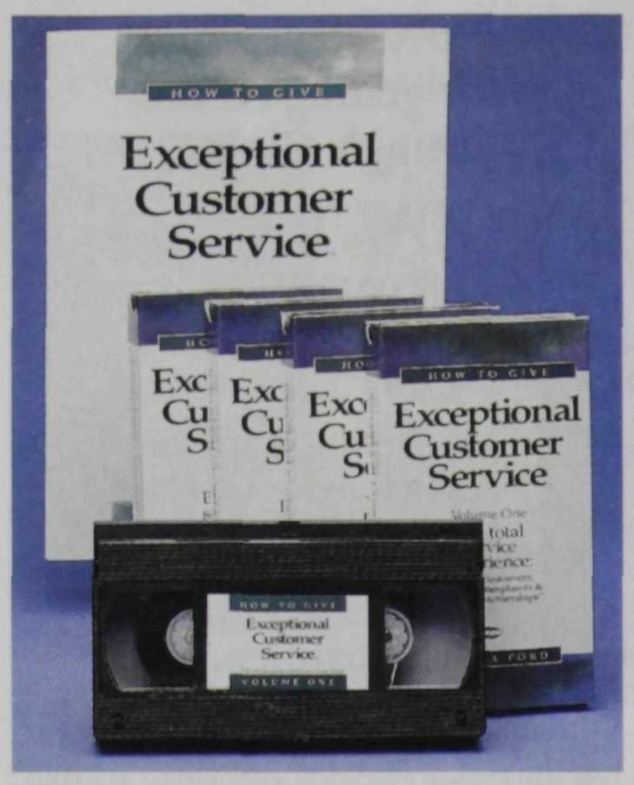
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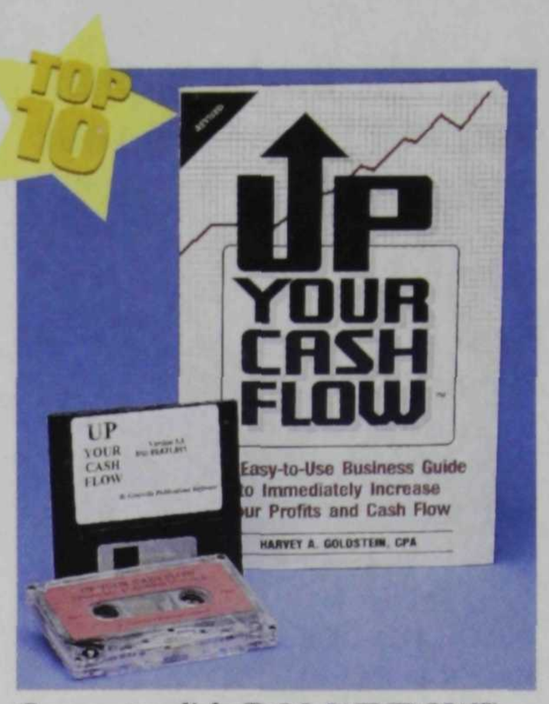


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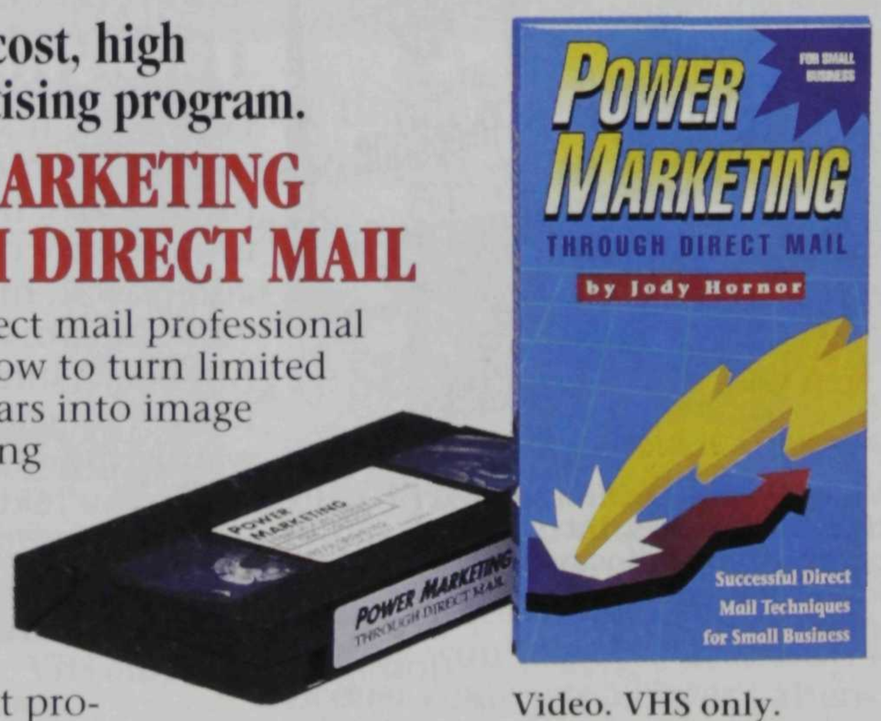
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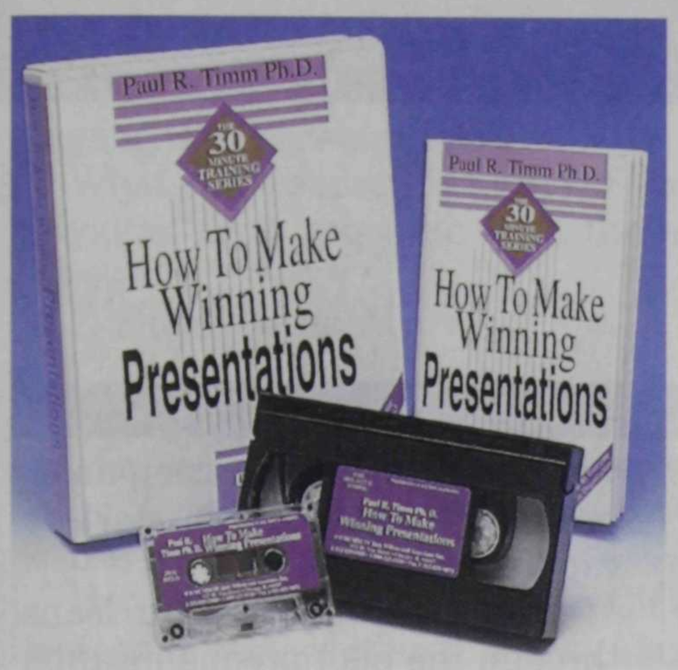
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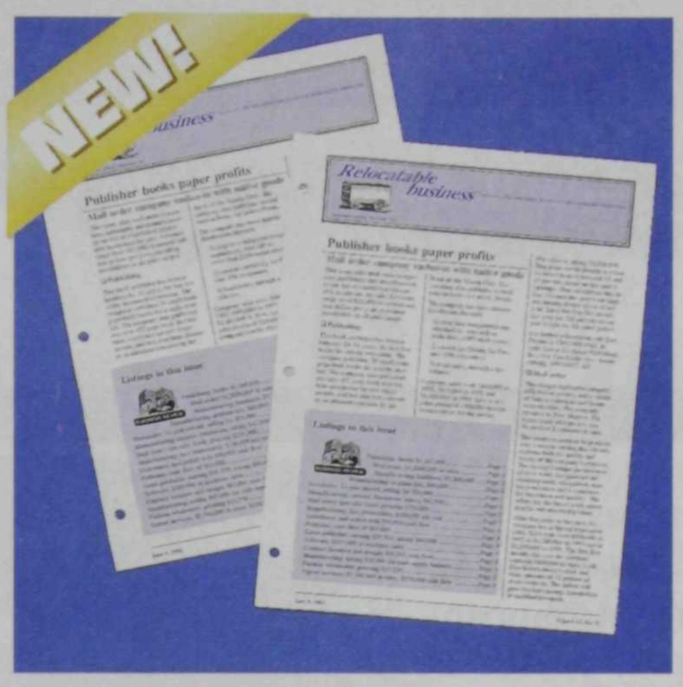
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Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Laura M. Litvan

ACCESS TO CAPITAL

A Helping Hand

I am interested in starting an event-planning and meeting-management company. Can any of the loan programs offered by the U.S. Small Business Administration provide a helping hand to a woman who would like to start her own business?
S.T., Hudson, Mass.

The SBA administers a guaranteed-loan program to which any small-business owner can apply. This program, known as 7(a), guarantees repayment of a set percentage of a small-business owner's bank loan, depending on the loan's size; the repayment cap is $750,000.

In effect, the program offers a security blanket to a bank considering a loan application for start-up capital or small-business expansion—loans typically seen as risky by lenders.

Under an SBA pilot project designed to make it easier for female entrepreneurs to apply for such loans, women business owners in states (including Massachusetts) covered by 16 of the SBA's field offices are getting assistance from selected organizations in preparing their loan applications. These applicants also are being preapproved by the SBA for loan guarantees before applying to lenders.

Such preapproval differs from the usual 7(a) program procedure. Normally, an entrepreneur first applies for a conventional loan and then, if rejected, is informed by the lender that the SBA has a loan-guarantee program.

The SBA's pilot program stemmed from concerns about the low proportion of loans being made to women-owned firms.



ILLUSTRATIONS: MARTHA VAUGHAN

Although women own about one-third of U.S. businesses, in 1994 they received only 19 percent of government-backed bank loans for small business. In fact, SBA research indicates that about 70 percent of women who launch companies use their credit cards for start-up capital.

Women who apply for 7(a) loans through the pilot prequalification program must meet the same financial standards as other loan applicants, says SBA spokesman Mike Stamler. The advantage for a woman who does participate, he says, is that she has an SBA guarantee in hand at the outset of her dealings with a bank and can take the initiative in discussing it with a loan officer.

Under the prequalification program, the SBA guarantees up to 80 percent of loans of up to $100,000 and up to 75 percent of larger loans, to a maximum guarantee of $250,000, which is lower than the SBA guarantee cap available outside the program. For more information, contact the SBA's Boston field office at (617) 565-5590.

Readers who want to find out if the prequalification program is available in their state can call their local SBA office, listed in the Blue Pages of the telephone directory. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question to our CompuServe address: 76436,1735. Be sure to include your address and telephone number. Because of the high volume of letters, we can answer only those that are chosen for publication. Questions may be condensed, and writers will be identified only by initials and city.

GETTING STARTED



On Guard

I am interested in opening a security-patrol service. Can you tell me where I can get some information to get started?
C.D.G., Sebring, Fla.

For a fee of $100 an hour, librarians at the American Society for Industrial Security will research the topic for you and provide background materials. There is no research charge for members of the group, however. An annual membership costs $100. You can contact the organization, in Arlington, Va., at (703) 522-5800.

High Flier

I am interested in becoming a wholesale distributor of kites. Where can I get information about manufacturers?
F.H., Chestertown, Md.

The Kite Trade Association International, in San Francisco, sells a directory of its 270 members, including kite manufacturers, for $75. Contact the association at (415) 764-4908.

Show Time

I want to start a movie-theater business. I would appreciate any information you might be able to provide.
J.M.P., Mission, Texas

The National Association of Theatre Owners is preparing a small book, *So You Want To Open a Movie Theater.* It is to be released in May and will include basic information about the industry and a list of resources. The price has not yet been determined.

You can contact the North Hollywood, Calif., organization at (818) 506-1778. The association also has a Texas chapter, in Dallas; (214) 387-3588. ■

PRODUCT LICENSING

The Royal(ty) Treatment

A patent is pending on my food-product invention, and more than one private-label business has expressed great interest in buying the licensing rights.

What can I expect in terms of licensing royalties as I negotiate with these businesses?

C.V., Farmingdale, N.Y.

Several licensing experts say it's tough to advise you without having detailed knowledge of your product and the prospective licensees you're dealing with.

However, John Wiedemann, a Cleveland patent attorney, offered a few issues for you to consider before taking your place at the negotiating table—preferably with an attorney who would represent your interests.

He says royalties for a licenser are often around 25 percent of the profit a licensee can expect as a result of using the patented invention.

So, let's say you have developed a way of making a better-tasting hot dog and that you and a licensee agree that using your patented approach will increase the profit on each hot dog sold by 10 cents.

Following Wiedemann's rule of thumb, you might negotiate for royalties of 2.5 cents on each hot dog the licensee sells.

Whether you can expect more or less than that percentage depends on many factors, Wiedemann says. One crucial issue is whether your invention is perceived as an earth-shaking development by players in the industry who might take advantage of it, or whether it is viewed simply as a small step forward.



Another common issue that can affect the value of the deal is your willingness to give a licensee exclusive rights to use your invention.

"You have to look at all the different business ramifications of granting the license," says Wiedemann, an attorney with the firm of Calfee, Halter, and Griswald.

He also suggests that you consider these matters:

■ If you give a manufacturer exclusive rights to your invention, make sure the contract provides for an annual minimum royalty payment. If a licensee has a bad sales year, you still would receive some financial benefit from your invention.

■ If you're dealing with manufacturers in a specific industry, find out how deals between licensers and licensees in that industry are usually structured. An industry norm can provide insights into what you can expect.

■ Require any licensee to include your patent number on the product. If a third party were to steal your idea after seeing your licensee's product, the presence of the patent number would help your case if you sued for damages for patent infringement, Wiedemann says. Without the patent number, you likely could collect only damages that applied to the time after you filed your lawsuit, he says, because the suit would be regarded as the first "official notice" of patent infringement to the other party. NB

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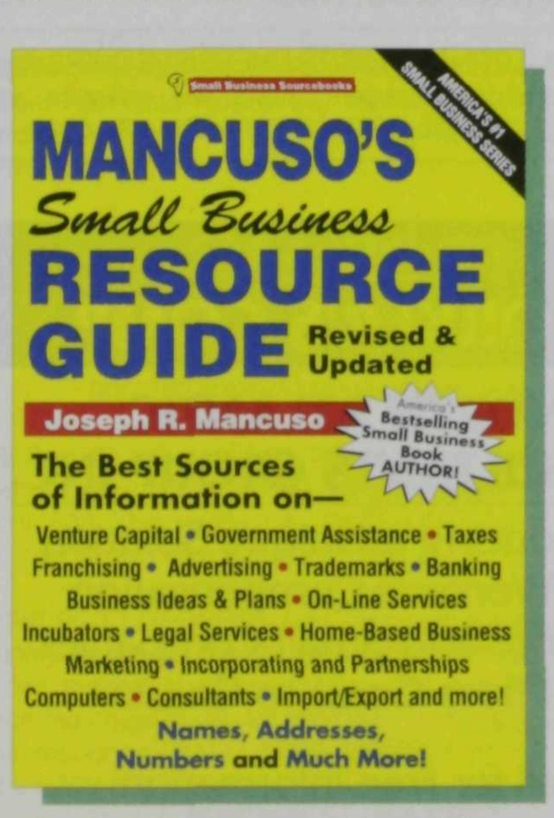
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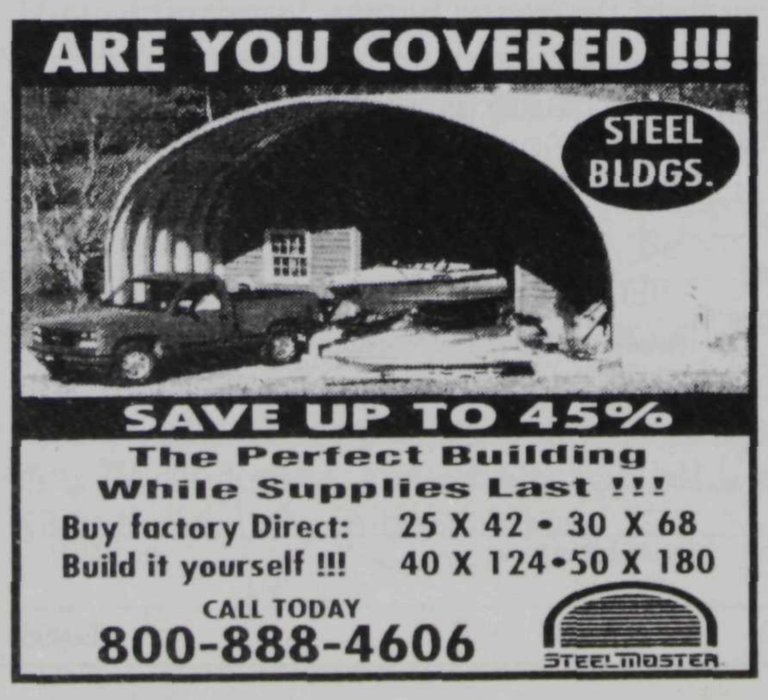
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Editorial

'Labor '96' Is Cause For Business Concern

Business welcomed the 1994 election of a congressional majority committed to restoring reason to the nation's fiscal and regulatory policies. Many political experts declared that the traditional Democratic Party of central-government activism was an anachronism in an era of rapidly advancing technology, global trade, and a new generation of self-confident Americans committed to economic and personal freedom.

Given that background, why is the newest member of the U.S. Senate a certified liberal who has voted against, among other things, a balanced federal budget, greater private-property rights, regulatory reform, tax cuts, effective welfare reform, steps to preserve Medicare, and reform of the nation's much-abused civil-justice system?



PHOTO: ©MIKE SEGAR—REUTERS

The AFL-CIO's *president, John Sweeney, left, and Rich Trumpka, secretary-treasurer, are leading a political-action campaign.*

This new senator is Democrat Ron Wyden of Oregon, a U.S. representative until his election to the Senate seat vacated by Republican Bob Packwood. Wyden supported the business position on less than 30 percent of key votes in 1995, and 32 percent over his legislative service, as computed by the U.S. Chamber of Commerce in its "How They Voted" report. On the other hand, his AFL-CIO rating was 100 percent last year and is 83 percent cumulatively.

What happened between the surge of voter support for pro-business candidates in 1994 and the Senate election in Oregon? John J. Sweeney happened, for one thing.

He won the presidency of the AFL-CIO in October on a pledge of a far-more-aggressive approach to organizing and to political support of pro-labor candidates. ("Labor Comes Alive," the cover story in the February *Nation's Business*, details Sweeney's rise to power and his plans.)

Oregon was the first test of the new approach, and AFL-CIO organizers, staffers, and rank-and-file members were important to the Wyden campaign. Nearly 80 percent of all union members in the state voted, compared with 68 percent of voters generally. With labor as the critical element, the Oregon race saw a re-creation of the liberal coalition that also includes environmental activists and other special-interest groups.

Sweeney is now citing Oregon as the model for the AFL-CIO's political-action plan for 1996. Resources will be concentrated on 75 House seats considered winnable. (Major Democratic gains in the Senate are not a realistic goal for labor this year.)

The resources available for the House campaign will be substantial. The AFL-CIO is raising, via an assessment on members, a $35 million political war chest that will be augmented by the dollars and volunteer work of union locals.

Business needs to recognize now, in the early stage of the AFL-CIO campaign, the enormous stakes involved. Sweeney not only is mounting a political attack on designated GOP candidates but also is attempting to reverse the momentum for change that voters demanded just 17 months ago. The goals of that political revolution—a balanced federal budget, tax relief, regulatory sanity, and decentralization of power from Washington to states, localities, and individuals—would be the casualties of a return to the liberalism that caused so much economic havoc in this country while it prevailed.

What the AFL-CIO calls its "Labor '96" program is a genuine political threat. The Oregon outcome is evidence of that. Businesses that tend to dismiss organized labor's leadership in distant Washington, D.C., as irrelevant to their companies' day-to-day operations must realize that this threat is at their doors.

Grass-roots business people need to alert their fellow citizens to the potential consequences and become as politically active as the opposition is in registering to vote, conducting registration and voting drives where they will count, volunteering to help pro-business candidates withstand the labor challenge, and taking any and all other steps needed to keep the revolution of 1994 on track. NB

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The Business Advocate

SUPPLEMENT TO Nation's Business APRIL 1996

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U.S. Chamber of Commerce

Chamber Won't Let Up On Budget, Regulations



The U.S. Chamber's recent annual meeting featured a panel discussion of the 1996 congressional agenda. From left to right are Rep. Robert S. Walker, R-Pa.; Sen. Alan K. Simpson, R-Wyo.; panel moderator and Chamber Vice President for Communications Development Meryl Comer; Sen. Charles S. Robb, D-Va.; and Rep. Vic Fazio, D-Calif.

The U.S. Chamber of Commerce remains firmly committed to supporting congressional efforts to balance the federal budget and rein in federal regulations, said R. Bruce Josten, the organization's senior vice president for membership policy, at the business federation's 1996

Continued on Page 13A

■ Taking Aim

Lesher Responds To Firms' Critics



Lesher

Richard L. Lesher, president of the U.S. Chamber of Commerce, fired back recently at those taking broad potshots at U.S. corporations and their executives.

In a letter to the editor in the March 18 issue of *Newsweek*, Lesher challenges the magazine's use of the recent cover story headline "The Hit Men" to describe American executives. The cover story appeared in the magazine's Feb. 26 issue.

Here is the text of Lesher's letter to *Newsweek*:

Your cover story bashing corporation executives was more appropriate for tabloids sold at grocery-store checkout lines. Pejorative terms such as "killers" and "hit men" have no place in any rational debate about the difficult decisions corporate managers must make to compete in the world marketplace.

These managers bear solemn responsibility to creditors, shareholders, customers, and—last but not least—their employees, the majority of whom require retraining to stay abreast of changing technology.

Corporate survival is also important to current and retired employees, who own 30 percent of corporate stock through their pension funds. That our corporations are competitive, our economy vigorous, and pension funds healthy is compelling testimony that managers are doing their job.

Because corporations are healthy, they spawn creation of new small businesses which, in turn, absorb displaced workers, keeping unemployment low. This is how the free-enterprise system is supposed to work.

Without question the pressures of technological changes and foreign competition are forcing corporations to make hard choices that impact some people severely, at least in the short term. There are serious issues involved that warrant informed public debate, but cheap name-calling serves no one well.

■ Policy Action

Board Seeks Repeal Of Estate, Gift Taxes

The board of directors of the U.S. Chamber of Commerce voted at its meeting Feb. 26 to strengthen the organization's policy regarding federal estate and gift taxes.

The new policy will allow Chamber staff members in Washington to seek repeal of the taxes, which can be as high as 55 percent. The previous policy called only for reform and simplification of the levies.

Under current estate-tax law, estates are subject to a maximum tax rate of 55 percent on the value exceeding $600,000. Under the balanced-budget bill vetoed last year by President Clinton, the trigger value would have increased to $750,000.

Also under the vetoed budget legislation, the first $1 million and 50 percent of the next $1.5 million of value of a qualified family-owned business would have been exempt from estate taxes.

In other Chamber board action, directors voted to endorse 13 U.S. senators and 214 U.S. representatives for re-election in November. The endorsed legislators were designated as "friends of business," a distinction accorded to those who have voted during their congressional tenures at least 70 percent of the time in favor of the Chamber's position on selected issues of importance to the business federation's members. (The lawmakers endorsed by the organization are listed on Pages 10A and 11A.)

The Chamber expects to endorse other candidates for the House and Senate as the year progresses.

Directors also approved six local chambers of commerce for accreditation and reaccredited 16 local chambers and the Oklahoma State Chamber of Commerce and Industry.

Also at the board meeting, Edwin Lupberger, chairman and chief executive officer of New Orleans-based Entergy Corp., became chairman of the Chamber for 1996-97. Entergy is one of America's largest electric utilities.

Lupberger succeeded Dennis W. Sheehan, chairman, president, and chief executive officer of AXIA, Inc., a consumer- and industrial-products manufacturer based in Oak Brook, Ill.

Named as the Chamber's vice chairman for 1996-97 at the board meeting was Michael S. Starnes, chairman, president, and chief executive officer of M.S. Carriers, Inc., a trucking company based in Memphis, Tenn.





Edwin Lupberger (above), U.S. Chamber chairman for 1996-97, talks with reporters about the organization's legislative priorities following a recent board of directors meeting. Lupberger is chairman and CEO of Entergy Corp. Michael S. Starnes, right, chairman, president, and chief executive officer of M.S. Carriers, Inc., became the 1996-97 Chamber vice chairman at the board meeting.



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SPIRIT OF ENTERPR

The U.S. Chamber of Commerce presented its Spirit of Enterprise Award to 52 U.S. senators and 238 representatives at a reception Feb. 28 on Capitol Hill. Receiving the award for their votes cast in 1995 were a record 290 lawmakers, including those featured here.

The awards are given annually to legislators who support the Chamber's position at least 70 percent of the time on issues identified as critical to business during the previous congressional session. (For the complete list of honorees, see Pages 6A and 7A.)



Rep. J.C. Watts of Oklahoma was one of 73 freshman Republicans to be honored with a Spirit of Enterprise Award for his support of business in 1995.



House Majority Leader Richard K. Armey, R-Texas, left, who received a Spirit of Enterprise Award, talks with U.S. Chamber President Richard L. Lesher.





Stuart Hardy, the Chamber's food-industry specialist, left above, discusses the farm bill with Rep. Calvin Dooley, D-Calif., who serves on the House Agriculture Committee. At right, Sen. Dirk Kempthorne, R-Idaho, right, talks with Jim Halloran, Chamber manager of congressional affairs.



Sally Jefferson, Chamber associate manager for domestic policy, explains the organization's "How They Voted" guide to award winner Rep. Donald Manzullo, R-Ill.





At left, House Appropriations Committee Chairman Bob Livingston, R-La., left, accepts a Spirit of Enterprise Award from U.S. Chamber President Richard L. Lesher. At right, R. Bruce Josten, Chamber senior vice president for membership policy, left, talks with Sen. Connie Mack, R-Fla.

4 John Linder (R)	100%
6 Newt Gingrich (R)	100%
7 Bob Barr (R)	96%
8 Saxby Chambliss (R)	100%
9 Nathan Deal (R)*	96%
10 Charles Norwood (R)	100%

IDAHO

1 Helen Chenoweth (R)	92%
2 Michael Crapo (R)	100%

ILLINOIS

5 Michael Flanagan (R)	92%
6 Henry J. Hyde (R)	96%
8 Philip M. Crane (R)	100%
10 John Edward Porter (R)	75%
11 Jerry Weller (R)	100%
13 Harris W. Fawell (R)	96%
14 J. Dennis Hastert (R)	100%
15 Thomas Ewing (R)	96%
16 Donald Manzullo (R)	100%
18 Ray LaHood (R)	88%

INDIANA

2 David McIntosh (R)	100%
4 Mark Edward Souder (R)	92%
5 Steve Buyer (R)	100%
6 Dan Burton (R)	96%
7 John T. Myers (R)	91%
8 John N. Hostettler (R)	83%

IOWA

1 Jim Leach (R)	96%
2 Jim Nussle (R)	100%
3 Jim Lightfoot (R)	96%
4 Greg Ganske (R)	100%
5 Tom Latham (R)	96%

KANSAS

1 Pat Roberts (R)	96%
2 Sam Brownback (R)	100%
3 Jan Meyers (R)	88%
4 Todd Tiahrt (R)	100%

KENTUCKY

1 Edward Whitfield (R)	100%
2 Ron Lewis (R)	96%
4 Jim Bunning (R)	96%
5 Harold Rogers (R)	92%

LOUISIANA

1 Bob Livingston (R)	96%
3 W.J. "Billy" Tauzin (R)*	100%
5 Jim McCrery (R)	100%
6 Richard H. Baker (R)	96%
7 James A. Hayes (R)*	83%

MAINE

1 Jim Longley (R)	96%

MARYLAND

1 Wayne Gilchrest (R)	83%
2 Robert Ehrlich Jr. (R)	88%
6 Roscoe Bartlett (R)	100%

MASSACHUSETTS

3 Peter Blute (R)	92%
6 Peter Torkildsen (R)	88%

MICHIGAN

2 Peter Hoekstra (R)	96%
3 Vernon Ehlers (R)	87%
4 Dave Camp (R)	100%
6 Frederick S. Upton (R)	100%
7 Nick Smith (R)	96%
8 Dick Chrysler (R)	100%
11 Joseph Knollenberg (R)	100%

MINNESOTA

1 Gil Gutknecht (R)	100%
3 Jim Ramstad (R)	92%

MISSISSIPPI

1 Roger Wicker (R)	96%
3 G.V. Montgomery (D)	96%
4 Mike Parker (R)*	88%

MISSOURI

2 James Talent (R)	100%
7 Melton D. Hancock (R)	100%
8 Bill Emerson (R)	100%

NEBRASKA

1 Doug Bereuter (R)	92%
2 Jon Christensen (R)	96%
3 Bill Barrett (R)	100%

NEVADA

1 John Ensign (R)	100%
2 Barbara F. Vucanovich (R)	100%

NEW HAMPSHIRE

1 Bill H. Zeliff Jr. (R)	100%
2 Charles Bass (R)	96%

NEW JERSEY

2 Frank A. LoBiondo (R)	79%
3 Jim Saxton (R)	79%
7 Bob Franks (R)	92%
8 Bill Martini (R)	79%
11 Rodney Frelinghuysen (R)	88%
12 Richard A. Zimmer (R)	75%

NEW MEXICO

1 Steven Schiff (R)	92%
2 Joe Skeen (R)	96%

NEW YORK

1 Michael Forbes (R)	79%
2 Rick Lazio (R)	83%
3 Peter King (R)	79%
4 Daniel Frisa (R)	96%
13 Susan V. Molinari (R)	96%
19 Sue W. Kelly (R)	92%
20 Benjamin A. Gilman (R)	79%
22 Gerald B.H. Solomon (R)	96%
24 John McHugh (R)	83%
25 James T. Walsh (R)	96%
27 Bill Paxon (R)	100%
30 Jack Quinn (R)	92%
31 Amo Houghton (R)	91%



NORTH CAROLINA

2 David Funderburk (R)	96%
3 Walter Jones Jr. (R)	96%
4 Fred Heineman (R)	96%
5 Richard M. Burr (R)	96%
6 Howard Coble (R)	92%
9 Sue Myrick (R)	100%
10 Cass Ballenger (R)	96%
11 Charles H. Taylor (R)	96%

OHIO

1 Steve Chabot (R)	96%
2 Rob Portman (R)	100%
4 Michael G. Oxley (R)	96%
5 Paul E. Gillmor (R)	100%
6 Frank A. Cremeans (R)	100%
7 David Hobson (R)	96%
8 John A. Boehner (R)	100%
10 Martin Hoke (R)	100%
12 John R. Kasich (R)	96%
15 Deborah Pryce (R)	100%
16 Ralph Regula (R)	100%
18 Bob Ney (R)	88%
19 Steven C. LaTourette (R)	96%

OKLAHOMA

1 Steve Largent (R)	100%
2 Tom Coburn (R)	96%
3 Bill Brewster (D)	70%
4 J.C. Watts (R)	100%
5 Ernest Jim Istook (R)	96%
6 Frank D. Lucas (R)	100%

OREGON

2 Wes Cooley (R)	96%
5 Jim Bunn (R)	96%

PENNSYLVANIA

5 William F. Clinger Jr. (R)	100%
7 Curt Weldon (R)	83%
8 Jim Greenwood (R)	88%
9 Bud Shuster (R)	96%
13 Jon D. Fox (R)	83%
16 Robert S. Walker (R)	100%
17 George W. Gekas (R)	100%
19 William F. Goodling (R)	96%
21 Philip S. English (R)	92%

SOUTH CAROLINA

1 Mark Sanford Jr. (R)	92%
2 Floyd Spence (R)	96%
3 Lindsey Graham (R)	96%
4 Bob Inglis (R)	96%

TENNESSEE

1 James H. "Jim" Quillen (R)	96%
2 John J. Duncan Jr. (R)	96%
3 Zach Wamp (R)	96%
4 Van Hilleary (R)	100%
7 Ed Bryant (R)	100%

TEXAS

3 Sam Johnson (R)	100%
4 Ralph M. Hall (D)	100%
6 Joe Barton (R)	96%
7 Bill Archer (R)	96%
8 Jack Fields (R)	100%
9 Steve Stockman (R)	91%
12 Pete Geren (D)	88%
13 William "Mac" Thornberry (R)	100%
14 Greg Laughlin (R)*	91%
19 Larry Combest (R)	100%
21 Lamar S. Smith (R)	100%
22 Tom DeLay (R)	96%
23 Henry Bonilla (R)	100%
26 Richard K. Armey (R)	100%

UTAH

1 James V. Hansen (R)	100%
2 Enid Greene Waldholtz (R)	96%

VIRGINIA

1 Herbert H. Bateman (R)	88%
6 Bob Goodlatte (R)	96%
7 Thomas J. Bliley Jr. (R)	96%
10 Frank R. Wolf (R)	92%
11 Thomas M. Davis III (R)	88%

WASHINGTON

1 Rick White (R)	100%
2 Jack Metcalf (R)	92%
3 Linda Smith (R)	100%
4 Richard "Doc" Hastings (R)	100%
5 George Nethercutt (R)	100%
8 Jennifer Dunn (R)	100%
9 Randy Tate (R)	100%

WISCONSIN

1 Mark Neumann (R)	100%
2 Scott Klug (R)	88%
3 Steve Gunderson (R)	96%
6 Thomas E. Petri (R)	92%
8 Toby Roth (R)	100%
9 F. James Sensenbrenner Jr. (R)	88%

WYOMING

Barbara Cubin (R)	100%

* Switched political parties during 1995.
** No longer a member of Congress.

■ Poll Results

Budget-Amendment Pressure Rises

Protracted budget negotiations between congressional Republicans and the White House have increased the need for a balanced-budget amendment to the Constitution, according to an overwhelming majority of respondents to the latest Business Ballot poll of members of the U.S. Chamber of Commerce.

More than 80 percent of the poll respondents said they believe the talks have increased the need for such an amendment, while just 4.5 percent said the negotiations have decreased the need. Just over 15 percent were undecided.



Doug Loon, right, the U.S. Chamber's director of congressional affairs, discusses the results of the latest Business Ballot poll of Chamber members with Rep. Richard M. Burr, R-N.C., left, and Sen. Rick Santorum, R-Pa.

The House passed a balanced-budget amendment to the Constitution early last year, but the proposal fell one vote short of passage in the Senate. Constitutional amendments must be approved by two-thirds of Congress—290 House members and 67 senators—and by three-fourths—or 38—of the states.

When asked about the current budget talks' impact on business, 43.1 percent of respondents said the negotiations have had a negative effect, 12.1 percent said they've had a positive impact, and 44.8 percent said they have not mattered.

However, 92.6 percent said the outlook for business would become more positive if the negotiations helped achieve a balanced budget. Just 1.5 percent said the outlook would get worse, and 5.9 percent said it would not change.

■ Business Ballot

Confidence In Economy Declines

Business's confidence in the economy fell in February, according to the U.S. Chamber of Commerce's latest poll of its members.

Members expressed their views through the organization's Business Ballot, which generally is sent to them every other month.

The Business Ballot includes three economic-outlook questions, which are the basis of the Chamber's widely reported Business Confidence Index. The ballot also asks questions about other timely issues, such as legislation pending in Congress.

The Business Confidence Index dropped to 53.5 in February from 56.8 in October. (There was no December Business Ballot.) It had risen in October after having been at 53.5 in August and 52.5 in June. (See the chart.)

"Most of the decline in the index came from a more pessimistic assessment of the health of the economy over the next six months," says Robert D. Barr, deputy chief economist for the Chamber. Barr adds that the lack of agreement between the Republican leadership in Congress and the White House on a plan to balance the budget by 2002 also reduced business's confidence in the economy.



In the February poll, 23.2 percent of respondents said they expect the economy to improve over the next six months—down from 26 percent in October.

But 34.6 percent expect it to get worse, the most pessimistic expression on the overall economy by ballot respondents since August 1994. In October, just 21.7 percent of the respondents expected the economy to worsen.

Respondents remain optimistic about their own firms' outlook, with 41.9 percent saying they expect sales to increase over the next six months. Only 19.3 percent expect sales to decline, while 38.8 percent expect no change. In October's poll, 42.2 percent expected sales to go up, and 16.7 percent expected them to go down.

Be sure to respond to this month's Business Ballot in the polybag with your Nation's Business *and* The Business Advocate.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Help Win Passage Of Property-Rights Measure

Your Call Or Letter To Senators Could Make A Difference In The Outcome

The U.S. Chamber of Commerce is urging lawmakers to approve a Senate bill that would protect the rights of private-property owners and compensate them when their land is "taken" through federal regulatory actions.

"Regulatory takings result in enormous financial burdens that fall solely upon the individuals who happen to own property in the regulated area," says Sally Jefferson, associate manager of domestic policy for the Chamber. "Unless this legislation is passed, the only available recourse to aggrieved property owners is time-consuming and expensive litigation," she says.

The Senate legislation (S. 605) would require the federal government to compensate landowners if the value of their property is reduced by one-third or more through the actions of federal agencies.

The bill, known as the Private Property Rights Act of 1995 and sponsored by Senate Majority Leader Robert Dole, R-Kan., also would require federal agencies to analyze the impact of takings before proposing any regulations and to minimize the amount of private property taken by the proposed rules.

It also would establish special rules for resolving property-rights disputes that arise from federal enforcement of the Endangered Species Act and wetlands provisions of the Clean Water Act. For example, one such rule would allow landowners to seek compensation for property losses through a new administrative process rather than through the federal courts.

The legislation was approved Dec. 21 by the Senate Judiciary Committee but still faces several hurdles.

Sens. John H. Chafee, R-R.I., and Joseph R. Biden Jr., D-Del., the chairman and ranking minority member of the Environment and Public Works Committee, and the Clinton administration strongly oppose S. 605 and a similar bill passed last year by the House. They claim the measures would cost tens of billions of dollars. Advocates of private-property rights, however, point to a recent study by the Congressional Budget Office (CBO) that concludes that the claims of Chafee, Biden, and the administration are grossly exaggerated.



The CBO estimated that legislation would cost the federal government $30 million to $40 million, mostly for short-term administrative expenses.

The House legislation (H.R. 9), approved in March 1995, would compensate property owners when their land lost 20 percent or more of its fair-market value through enforcement of the Endangered Species Act or federal wetlands programs. This compensation provision also is included in a House-passed proposal to reform the wetlands regulatory program. And pending House and Senate bills to reform the Endangered Species Act include similar compensation provisions.

Write or call your senators and urge them to support S. 605, the Private Property Rights Act of 1995. The address is U.S. Senate, Washington, D.C. 20510. To call, dial the Capitol switchboard at (202) 224-3121.

Senate To Decide, Possibly This Month, Whether To Legalize Workplace Teams

The U.S. Chamber of Commerce is urging senators to approve labor legislation known as the TEAM Act when it comes up for a vote, probably in early April.

The measure (S. 295), formally titled the Teamwork for Employees and Management Act, would amend section 8(a)(2) of the 1935 National Labor Relations Act to allow nonunion employers to establish self-directed employee teams to address various workplace issues of importance to labor and management.

Sponsored by Senate Labor and Human Resources Committee Chairman Nancy Kassebaum, R-Kan., the bill is expected to be approved by that committee in late March. Late last year the House voted 221-202 to approve a similar bill, sponsored by Rep. Steve Gunderson, R-Wis.

Peter Eide, manager of labor-law policy for the Chamber, says the legislation is needed because the National Labor Relations Board and the federal courts have interpreted the 1935 labor law as making it illegal for employee teams or committees in

Continued On Page 12A

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, U.S. Chamber specialists on legislative and regulatory issues provide activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

Chamber Endorses 'Friends'

Congressional Candidates Win Backing For Re-election

On Feb. 26, the board of directors of the U.S. Chamber of Commerce endorsed 13 U.S. senators and 214 U.S. representatives for re-election in November.

The 227 lawmakers earned endorsements as "friends of business" by voting at least 70 percent of the time for the Chamber's position on selected issues of importance to business during their tenures in Congress.

The 1996 endorsements are the first issued by the Chamber since the 1992 congressional elections. A ruling in 1993 by the Federal Election Commission prohibited the Chamber from communicating endorsements for the 1994 elections to the businesses, trade associations, and local and state chambers of commerce that constitute the federation's membership.

As a result of its federal court victory last year in a suit against the FEC, the Chamber was able to resume communicating its political endorsements to its 220,000 members.

Following is the list of members of Congress endorsed for re-election in 1996 as "friends of business." Beside each name is the percentage of votes the lawmaker has cast in line with the Chamber position during his or her congressional tenure.

Endorsed Senate candidates are listed by state; House candidates are listed by congressional district within states.

The Chamber expects to endorse other candidates for the House and the Senate as the year progresses. For more information on the Chamber's political-action program, call Doug Loon, director of congressional affairs, at (202) 463-5600.

HOUSE

ALABAMA

1 Sonny Callahan (R)	90%
2 Terry Everett (R)	89%
6 Spencer Bachus (R)	94%

ARIZONA

1 Matt Salmon (R)	96%
3 Bob Stump (R)	89%
4 John Shadegg (R)	100%
5 Jim Kolbe (R)	95%
6 J.D. Hayworth (R)	100%

ARKANSAS

3 Tim Hutchinson (R)	90%
4 Jay Dickey (R)	89%

CALIFORNIA

1 Frank Riggs (R)	93%
2 Wally Herger (R)	91%
4 John Doolittle (R)	86%
10 Bill Baker (R)	93%
11 Richard Pombo (R)	93%
19 George P. Radanovich (R)	100%
21 William M. Thomas (R)	93%
22 Andrea Seastrand (R)	92%
23 Elton Gallegly (R)	91%
25 Howard McKeon (R)	100%
28 David Dreier (R)	92%
38 Steve Horn (R)	90%
39 Edward Royce (R)	90%
40 Jerry Lewis (R)	82%
41 Jay Kim (R)	100%
43 Ken Calvert (R)	100%
44 Sonny Bono (R)	100%
45 Dana Rohrabacher (R)	87%
46 Robert K. Dornan (R)	86%
47 C. Christopher Cox (R)	87%
48 Ron Packard (R)	92%
49 Brian Bilbray (R)	96%
51 Randy Cunningham (R)	92%
52 Duncan Hunter (R)	85%

COLORADO

3 Scott McInnis (R)	90%
5 Joel Hefley (R)	90%
6 Dan Schaefer (R)	85%

CONNECTICUT

5 Gary Franks (R)	91%
6 Nancy L. Johnson (R)	70%

DELAWARE

Michael Castle (R)	95%

FLORIDA

1 Joe Scarborough (R)	88%
4 Tillie Fowler (R)	91%
6 Cliff Stearns (R)	80%
7 John Mica (R)	89%
8 Bill McCollum (R)	89%
9 Michael Bilirakis (R)	82%
10 C.W. "Bill" Young (R)	80%
12 Charles Canady (R)	91%
13 Dan Miller (R)	96%
14 Porter J. Goss (R)	88%
15 David Weldon (R)	100%
16 Mark Foley (R)	96%
18 Ileana Ros-Lehtinen (R)	72%
21 Lincoln Diaz-Balart (R)	78%
22 E. Clay Shaw Jr. (R)	86%

GEORGIA

1 Jack Kingston (R)	91%
3 Michael "Mac" Collins (R)	85%
4 John Linder (R)	97%
6 Newt Gingrich (R)	89%
7 Bob Barr (R)	96%
8 Saxby Chambliss (R)	100%
9 Nathan Deal (R)*	87%
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Larry E. Craig (R) 92%

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TEXAS
Phil Gramm (R) 88%

VIRGINIA
John W. Warner (R) 85%

* Switched political parties during 1995.

Continued From Page 9A

nonunion businesses to discuss issues such as scheduling, work assignments, health and safety matters, training, job descriptions, and work rules. "As a result," Eide says, "many nonunion businesses already using employee teams or committees are worried that they might be dragged into litigation for trying to be employee-friendly."

Employers of all sizes throughout the country and in all sectors of the economy are eager to implement programs that facilitate and encourage employee involvement in addressing issues in the workplace, including productivity and quality improvement, workplace safety and health, and a variety of other matters in which employees have great interest and concern, says Robert Raasch, Chamber associate manager of labor-law policy. "Such employee involvement is a key component in any strategy to make American businesses more competitive in the global economy," Raasch says.

Some opponents of the TEAM Act contend that its passage would allow employers to circumvent unions that represent their employees. Other critics fear that employers would create employee committees or teams as a means of discouraging union organizing activity among workers.

But when a union represents a group of employees, an employer is not permitted to implement an employee-involvement program without the consent of the union. If an employer were to establish an employee-involvement program when a union is attempting to organize its workers, the labor relations board could determine that the employer's actions were designed primarily to discourage employee union activity and therefore were in violation of the labor-relations law. Thus, notes Raasch, the TEAM Act would not interfere with collective-bargaining relationships and could not be used to thwart union organizing at a nonunion employer.

Call your senators now and urge them to support the TEAM Act (S. 295) to facilitate better employer-employee relations for an improved workplace. Senators may be reached through the Capitol switchboard at (202) 224-3121.

Chamber Calls On Congress To Reform Wetlands Program

Congress should sharply limit the regulatory burden imposed on private landowners by the federal wetlands program, says the U.S. Chamber of Commerce.

The Chamber is calling for approval of the Wetlands Regulatory Reform Act (S. 851), sponsored by Sen. Lauch Faircloth, R-N.C., chairman of the Environment and Public Works Subcommittee on Clean Air, Wetlands, Private Property Rights and Nuclear Safety.

The measure would reform the wetlands program, principally by recognizing that wetlands have different values and functions. For example, under the bill, the most ecologically sensitive wetlands would be strictly protected, while lands that are marginally "wet" could be used for various purposes.

The bill also would streamline the process for obtaining permits to use wetlands and establish an administrative appeals process in lieu of litigation for landowners who are denied use permits for environmental reasons.

Provisions of the Faircloth bill closely resemble the wetlands-reform provisions in legislation passed by the House last May to reauthorize the Clean Water Act.

"The current wetlands program is the source of enormous frustration and hardship for private-property owners across America and cries out for reform," says Sally Jefferson, associate manager of domestic policy for the Chamber.

For example, says Jefferson, under Section 404 of the Clean Water Act, landowners must obtain a permit from the U.S. Army Corps of Engineers for the "discharge of dredged or fill material into the navigable waters" of the United States. "This seemingly narrow provision has been expanded by federal court decisions and judicial interpretations to apply to almost any activity that alters a 'wetland,' " she says.



Despite strong congressional interest in reforming the program, it is uncertain whether Senate Environment and Public Works Committee Chairman John H. Chafee, R-R.I., will act on the Faircloth bill.

The Senate Energy and Natural Resources Committee, meanwhile, plans to hold oversight hearings on the wetlands regulatory program later this year.

In addition to the free-standing House and Senate bills, Congress also sought to reform the wetlands program through a provision in the Environmental Protection Agency appropriations bill for fiscal 1996, which began Oct. 1. However, President Clinton vetoed the appropriations bill, citing the wetlands provision among others for his opposition. The wetlands provision would have eliminated duplications within the wetlands-permitting process and would have prohibited the EPA from vetoing the Army Corps of Engineers' decisions on wetlands permits.

According to congressional testimony from a high-ranking corps official, the EPA has threatened to use its veto authority over permit decisions hundreds of times annually, creating costly bureaucratic delays.

The rider on the appropriations bill would have preserved the EPA's authority to set binding guidelines on the Corps of Engineers for the permitting process, to be the lead enforcer of wetlands regulations, and to determine which land would be federally regulated.

The Chamber has asked the president to reconsider his position on the wetlands provision, particularly since the administration's own recommendations for reforming the wetlands program recognize the Army Corps of Engineers as the lead and final decision maker in wetlands permitting.

Sen. Christopher S. Bond, R-Mo., chairman of the appropriations subcommittee with jurisdiction over the EPA's budget, is expected to hold a hearing on the wetlands provision and will consider its inclusion in a future appropriations bill if comprehensive wetlands reforms have not been enacted.

Call or write the Senate Committee on Environment and Public Works. Ask that Sen. Lauch Faircloth's wetlands bill, S. 851, be considered immediately. The phone number is (202) 224-8832; the address is 410 Dirksen Senate Office Building, Washington, D.C. 20510.

■ Legislation

Chamber Urges Action On Farm Bills

The U.S. Chamber of Commerce is urging a House-Senate conference committee to act swiftly on legislation that would significantly change federal agriculture policy for the first time in 60 years.

The conference panel was expected in mid-March to resolve minor differences in bills passed in February by the House and the Senate.

The House approved the Agricultural Market Transition Act, sponsored by Agriculture Committee Chairman Pat Roberts, R-Kan., by a 270-155 vote Feb. 29.

The Senate had approved its version of the legislation, sponsored by Agriculture Committee Chairman Richard G. Lugar, R-Ind., by a vote of 64-32 on Feb. 7.

Both measures call for replacing so-called deficiency payments to farmers with fixed payments that would be phased out over seven years.

Under the current deficiency system, the government sets target prices for certain crops. If market prices fall below the target prices, farmers receive a deficiency payment from Washington.



Legislation pending in a House-Senate conference committee would allow farmers to plant crops free from government restrictions.

To participate in the deficiency-payment programs, which apply to feed grains, wheat, oil seeds, and cotton, farmers must abide by government regulations, which include limiting the number of acres on which the crops are grown.

Under the new payment plan, farmers who participated in the deficiency-payment programs at any time in the past five years would be eligible for the fixed payments, which would be set by the government.

Planting decisions, including the number of acres on which to grow crops, would be made by farmers.

"This legislation would reform and modernize U.S. farm programs," says Stuart Hardy, the U.S. Chamber's food-industry specialist.

"It would eliminate outdated land-idling programs, end incentives to grow on fragile acres, provide farmers with nearly total planting flexibility, and assure growers of an income safety net through direct payments," Hardy says.

The Chamber helped lead a coalition of farm- and food-related businesses in support of the Roberts and Lugar bills.

President Clinton is expected to sign the legislation.

■ Vietnam Trade

New AmCham Is Accredited

The U.S. Chamber of Commerce recently accredited an American Chamber of Commerce (AmCham) in Vietnam, which normalized relations with the United States in July.

AmCham Vietnam has chapters in Hanoi and Ho Chi Minh City, formerly known as Saigon.



An AmCham is a voluntary association of American companies and individuals doing business in another country and of firms and business people from that country operating in the U.S.

These organizations work toward mutually beneficial economic relations between the host countries and the U.S., urge member companies to contribute to the local economy and social institutions, and monitor U.S. legislative and administrative policies that could affect the competitiveness of U.S. businesses operating overseas.

Seventy-six AmChams in 65 countries have now been accredited by the U.S. Chamber.

The Vietnam AmCham was formed in 1994 as discussions were taking place between the Southeast Asian country and the U.S. over normalizing relations for the first time since the Vietnam War ended 20 years ago.

Willard A. Workman, a U.S. Chamber vice president and head of its international division, presented the Vietnam AmCham with its accreditation in January while visiting the country. Among the AmCham's objectives are to:

- Promote the development of bilateral trade, commerce, and investment.
- Provide a forum in which American business people in the country can identify and discuss common interests regarding their commercial endeavors in the country.
- Work with organizations in Vietnam on matters of mutual interest.

■ Education

1996 Schedule Set By Institutes

The Institutes for Organization Management, a continuing-education program for chamber and association executives, will begin its 1996 schedule in June.

The U.S. Chamber of Commerce program, which is celebrating its 75th anniversary, involves weeklong training sessions that can help association and chamber executives strengthen their leadership, management, interpersonal, and communications skills.

Sessions are scheduled for June 9-14 at the University of Notre Dame, in South Bend, Ind.; July 7-12 at the University of California, Los Angeles; Aug. 4-9 at the University of Delaware, in Newark; Aug. 11-16 at the College of Charleston, in Charleston, S.C.; and Jan. 19-24, 1997, at the University of Oklahoma, in Norman.

For enrollment information, call (202) 463-5570.

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Airborne Express Discounts Available

U.S. Chamber members, through a special arrangement between the Chamber and Airborne Express, can receive a discounted price on air express service to nearly anywhere in the U.S. and to the more than 200 countries served by Airborne.

To obtain the discounted service, call 1-800-636-2377 and identify yourself as a member of the U.S. Chamber. You will be sent a free starter kit on using Airborne Express.

Data On Employee Benefits



The Chamber's latest annual employee-benefits survey is now available.

The survey reports on the 1994 benefit practices and costs of a cross section of American businesses and is the most comprehensive survey of its type. It provides separate figures for salaried and hourly workers. And it gives comparative cost figures for various industry groups.

Copies of *Employee Benefits, 1995 Edition* are available for $29. To order, call 1-800-638-6582 between 9:30 a.m. and 4:30 p.m. Eastern time. In Maryland, call 1-800-352-1450.

Also available at the same numbers is the Employee Benefits Analyzer, a $95 software program that allows companies to compare benefits with others in the same industry, region, or size category. The program comes only on IBM-compatible disks.

The survey publication and software may be purchased together for $115.

Management Training



Harvey Mackay

"Swim with the Sharks: How to Outsell, Outmanage, Outmotivate and Outnegotiate Your Competition" will be the topic of a satellite seminar sponsored by the U.S. Chamber's Quality Learning Services (QLS) Department on April 16. The seminar is scheduled from 1 to 3 p.m. Eastern time.

The program will be presented by Harvey Mackay, chairman and chief executive officer of Mackay Envelope Corp., of Minneapolis, and author of the best-selling book *Swim with the Sharks.*

Other forthcoming seminars, with the date, topic, and presenter of each, are:

April 2—Scott Brown, president, Conflict Management Group, Cambridge, Mass., "Negotiation Skills: The Key to Managing Your Career."

April 30—Stuart R. Levine, chief executive officer, Dale Carnegie Training, Garden City, N.Y., "Just in Time Leadership."

May 7—Ken Dychtwald, author and president, chief executive officer, and founder, Age Wave, Inc., and Maddy Kent-Dychtwald, cofounder, Age Wave, Inc., an Orinda, Calif., firm that studies aging and its impact on business, "The Coming Age Wave: Implications for the Future of Work, Marketing and Sales."

May 22—Robert J. Kriegel, author, *If It Ain't Broke ...BREAK IT!*, "Sacred Cows Make the Best Burgers."

June 5—Les Brown, author of *Live Your Dreams*, "Live Your Dreams." This seminar will air from 6 to 7:30 p.m. Eastern time.

The seminars will air from 1 to 3 p.m. Eastern time unless otherwise noted.

For information on the seminar site nearest you or to learn how you can host a downlink site, call the Chamber's Federation Programs and Services Division at 1-800-835-4730 or (202) 463-5940. You can also receive a catalog describing the spring offerings in detail by calling these numbers.

U.S. Chamber members receive a 10 percent discount on the price of the seminars.

A Guide To The House And Senate

The U.S. Chamber's 1996 *Congressional Handbook* is for sale to the organization's members at a discount.

The handbook, produced annually, includes the photographs, telephone and room numbers, committee and subcommittee assignments, and key staff members for all senators and representatives in the second session of the 104th Congress. It also contains lawmakers' district office addresses and telephone numbers.

Legislators are listed alphabetically, by state, and separately by committee.

In addition, the handbook notes the Chamber's rating of each lawmaker based on the votes cast on key business-related issues during the individual's tenure in Congress.

A directory of addresses and telephone numbers for the White House, Cabinet-level agencies, and state governors also is included.

The handbooks cost $9.50 each for U.S. Chamber members and $11 for nonmembers for orders of one to nine copies. Separate discounts are available for orders of 10 to 99 copies and for 100 or more. To order, call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0460.

Vietnam Guide

A guide to doing business in Vietnam is available from the Chamber's International Division.

The 462-page book, *Business In Vietnam: Illusion and Reality*, looks at the changing business environment in the Southeast Asian country, pointing out the pitfalls as well as the profit potential of doing business in Vietnam.



The book also provides information on travel in Vietnam, on the country's land and people, and on various industry sectors, such as manufacturing, agriculture, banking and finance, and oil and gas.

To order *Business In Vietnam*, which costs $50 for Chamber members and $70 for nonmembers, call the Chamber's International Division at (202) 463-5460.

Directory Of State Chambers



A listing of officers and staff specialists at state chambers of commerce and at business and industry associations is available from the U.S. Chamber's Office of Chamber of Commerce Relations.

The *'96 Staff Directory* lists the organizations' addresses and telephone and fax numbers. It also includes a listing, with telephone numbers, of the key management staff members of the U.S. Chamber and its membership and marketing centers.

To order the directory, which costs $10 per copy (quantity discounts are available), call (202) 463-5580, or send a check payable to the U.S. Chamber of Commerce to Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Ask for publication No. 0455.